PolyOne Corporation
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Avon Lake, OH 44012
phone 440.930.1000
www.polyone.com

October 22, 2004

Frances M. Zizila
Assistant Regional Counsel
Office of Regional Counsel
U.S. Environmental Protection Agency, Region II
290 Broadway, 17th Floor
New York, New York 10007-1866

Via Courier

Re: May 18, 2004 Notice of Potential Liability and Demand for Reimbursement of Costs -- L.E. Carpenter Superfund Site, Wharton, Morris County, New Jersey

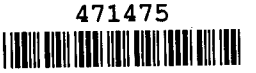
Dear Ms. Zizila:

This will respond to your letter dated September 17, 2004, in response to our letter dated July 30, 2004, on behalf of PolyOne Corporation in the above matter.

With respect to the insolvency of L.E. Carpenter and Company, enclosed is a balance sheet demonstrating that the liabilities of L.E. Carpenter far exceed its assets.

In response to your request for the acquisition agreement(s) pertaining to the acquisition of Day International Corporation by M. A. Hanna Company, enclosed are copies of the Agreement of Merger dated as of July 10, 1987 (among M.A. Hanna Company and it indirect wholly-owned subsidiary, Hanac Acquisition Company, on the one hand, and Day International Corporation on the other hand) and the July 14, 1987 Offer to Purchase all of the outstanding, publicly-held common stock and convertible preferred stock of Day International, as tendered by Hanac Acquisition Company, together with Letters of Transmittal for common stock and convertible preferred stock, respectively, of Day International.

Among the bases for PolyOne's position that it has no legal obligation to pay remediation costs, or to reimburse the U.S. EPA's response costs on behalf of L.E. Carpenter, we point out the following facts:

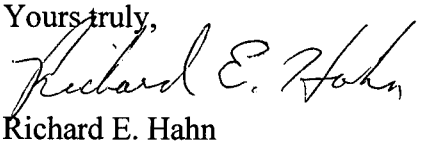


(i) all manufacturing operations of L.E. Carpenter at the Wharton, New Jersey site had ceased prior to M. A. Hanna's acquisition of Day International's stock, which acquisition was substantially completed on or about August 11, 1987;
(ii) none of the activity at the Wharton site following M. A. Hanna's acquisition of the Day International stock contributed to the contamination at the site;
(iii) during the entire period of L.E. Carpenter's manufacturing operations at the Wharton, New Jersey site prior to M. A. Hanna's acquisition of the stock of Day International, L. E. Carpenter's operations consisted of the manufacture of vinyl wallcoverings, a product line that was totally distinct from the rubber belts, hoses and other engineered, industrial products, that comprised the principal product lines of Day International;
(iv) throughout the years of its operation as a subsidiary of Day International, the operations and management, including waste disposal practices, of L.E. Carpenter were autonomous and independent from those of its parent, Day International; and
(v) PolyOne was formed August 31, 2000 through the consolidation of M. A. Hanna Company and The Geon Company, further removing the surviving entity from legal responsibility for the environmental liabilities of L. E. Carpenter.

In view of these facts and under prevailing case law, PolyOne understands that it is not legally responsible for the environmental liabilities, including the EPA's oversight cost, at L.E. Carpenter's Wharton, New Jersey site.

If you think it would be beneficial, we would welcome the opportunity to discuss this matter with you informally in person or on a telephone conference call, at your convenience. I can be reached by phone at 440-930-1361, by fax at 440-930-1179, and by e-mail at richard.hahn@polyone.com.

Yours truly,



Richard E. Hahn
Senior Counsel

L.E. CARPENTER & CO
WHARTON, NEW JERSEY
SEPTEMBER 30, 2004

CONFIDENTIAL BUSINESS INFORMATION

BALANCE SHEET

ASSETS

LAND - Wharton, New Jersey	
BUILDINGS (fully depreciated)	
TOTAL PROPERTY, PLANT & EQUIPMENT	0.00
RESERVE FOR DEPRECIATION	0.00
NET PROPERTY, PLANT & EQUIPMENT	0.00
(note: current real estate tax assessed value is $ 1,109,500)	
TOTAL ASSETS	**$0.00**

LIABILITIES

CURRENT LIABILITIES	5,720,000.00
ACCRUED EXPENSE	5,625,000.00
TOTAL LIABILITIES	**11,345,000.00**

STOCKHOLDERS EQUITY

COMMON STOCK	1,000.00
CAPITAL SURPLUS	1,408,569.61
RETAINED EARNINGS	(12,754,569.61)
TOTAL STOCKHOLDERS EQUITY	**(11,345,000.00)**
TOTAL LIABILITIES & EQUITY	**$0.00**

BOOKMARK

BALANCE SHEET

AGREEMENT TO MERGER

AGREEMENT OF MERGER

AGREEMENT OF MERGER, dated as of July 10, 1987, between M. A. HANNA COMPANY, a Delaware corporation ("Parent"), HANAC ACQUISITION COMPANY, a Delaware corporation and an indirect wholly owned subsidiary of Parent (the "Purchaser"), and DAY INTERNATIONAL CORPORATION, a Michigan corporation (the "Company").

In consideration of the mutual covenants and agreements set forth herein, Parent, the Purchaser and the Company hereby agree as follows:

I. THE TENDER OFFER

1.1. The Offer. So long as none of the events set forth in Exhibit A hereto (as hereinafter provided) shall have occurred or exist, the Purchaser shall, and Parent shall cause Purchaser to, commence (within the meaning of Rule 14d-2(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as promptly as practicable after the date hereof, but in any event not later than July 15, 1987, a tender offer for all outstanding shares of common stock, par value $1.00 per share (the "Common Stock"), of the Company at a price of $48.00 per share, net to the seller in cash, and all outstanding shares of $4.25 Convertible Preferred Stock, Series A, no par value (the "Preferred Stock"), of the Company at a price of $258.72 per share, net to the seller in cash. (Such tender offer, as it may be amended from time to time pursuant to the terms of this Agreement, being referred to herein as the "Offer", and the shares of Common Stock and Preferred Stock being sometimes collectively referred to herein as the "Shares" and individually as a "Share".) The Offer shall be subject only to the conditions set forth in Exhibit A hereto, including without limitation the conditions that (a) the Board of Directors of the Company shall have duly redeemed the preferred stock purchase rights (the "Rights") issued pursuant to the Rights Agreement, dated as of September 26, 1986 (the "Rights Agreement"), between the Company and Bank One, Dayton, NA and (b) a number of Shares of Common Stock being validly tendered and not withdrawn prior to the expiration date provided in the Offer which, when added to the Shares of Common Stock

beneficially owned by the Purchaser and Parent, will represent at least 50% of the Shares of Common Stock outstanding on a fully diluted basis (the "Minimum Share Condition"). Any such condition other than the Minimum Share Condition may be waived by the Purchaser in its sole discretion. The Purchaser may, at any time, transfer or assign to one or more corporations directly or indirectly wholly owned by Parent the right to purchase all or any portion of the Shares tendered pursuant to the Offer, but any such transfer or assignment shall not relieve the Purchaser of its obligations under the Offer or prejudice the rights of tendering shareholders to receive payment for Shares validly tendered and accepted for payment. The Purchaser shall accept for payment all Shares validly tendered pursuant to the Offer as soon as legally permissible, and pay for all such Shares as promptly as practicable thereafter, in each case upon the terms and subject to the conditions of the Offer. Except as required by law, the Purchaser shall not (i) amend the Offer (other than amendments which increase the amount of cash consideration payable for the purchase of Shares pursuant to the Offer) or (ii) extend the time of original expiration of the Offer if all conditions to the Offer are then, as provided in the Offer, satisfied or waived. If the Agreement is terminated pursuant to Section 7.1(f) hereof and the Company shall have complied with Section 7.10 hereof, Parent and the Purchaser shall not, and shall cause their subsidiaries and affiliates controlled by them not to, acquire Shares otherwise than pursuant to the Offer or the Merger for a period of one year after termination of this Agreement without the prior approval of the Board of Directors of the Company.

1.2. Company Action. The Company hereby consents to the Offer. As soon as practicable on the date of commencement of the Offer, the Company shall file with the Securities and Exchange Commission (the "Commission") and mail to the holders of Shares a Solicitation/Recommendation Statement on Schedule 14D-9 pursuant to the Exchange Act (the "Schedule 14D-9"). The Schedule 14D-9 shall set forth, and the Company hereby represents, that the Board of Directors of the Company has at a meeting duly called and held and at which a quorum was present and acting throughout, by the requisite vote of all directors present (approving the transactions contemplated hereby in a manner satisfying the requirements of Article XI, Section 2 of the Articles of Incorporation of the Company, assuming that, as of and during the five-year period ending on the date hereof, the Purchaser and Parent beneficially own and have beneficially owned less than 5% of the outstanding Shares of Common Stock) (a) determined, based in part on the advice of Salomon Brothers Inc, the Company's financial advisors in connection with the Offer and the Merger (as defined in Section 2.1.1), that the

)ffer and the Merger are in the best interests of the Company and its shareholders, (b) approved the Offer, this Agreement and the Merger, (c) subject to the fiduciary duties of the Board of Directors, recommended acceptance of the Offer and approval and adoption of this Agreement and the Merger by the holders of Shares, and (d) taken all such action as may be required by law and the Rights Agreement to redeem the Rights.

1.3. Shareholder Lists. The Company shall promptly furnish the Purchaser with a list of the holders of Shares and mailing labels containing the names and addresses of all record holders of Shares and lists of securities positions of Shares held in stock depositories, each as of a recent date, and shall promptly furnish the Purchaser with such additional information, including updated lists of shareholders of the Company, mailing labels and lists of securities positions, and such other assistance as the Purchaser or its agents may reasonably request in connection with the Offer. Subject to the requirements of law, and except for such steps as are necessary to disseminate the Offer Documents (as defined in Section 3.3 hereof), Parent and the Purchaser shall hold in confidence the information contained in any of such labels and lists and the additional information referred to in the preceding sentence, shall use such information only in connection with the Offer, and, if this Agreement is terminated, shall upon request deliver to the Company all such written information and any copies or extracts thereof in its possession or under its control.

1.4. Board of Directors of the Company. Upon the Purchaser's acquisition of a majority of the outstanding Shares of Common Stock pursuant to the Offer or otherwise, and from time to time thereafter so long as Parent and/or any of its direct or indirect wholly owned subsidiaries (including the Purchaser) owns a majority of the outstanding Shares of Common Stock, Parent shall be entitled, subject to compliance with applicable law, to designate at its option up to that number of directors, rounded up to the nearest whole number, of the Company's Board of Directors as will make the percentage of the Company's directors designated by Parent equal to the percentage of outstanding Shares of Common Stock held by Parent and any of its direct or indirect wholly owned subsidiaries (including the Purchaser). The Company shall, upon the request of Parent, promptly increase the size of its Board of Directors and/or use its best efforts to secure the resignation of such number of directors as is necessary to enable Parent's designees to be elected to the Company's Board of Directors and shall use its best efforts to cause Parent's designees to be so elected, subject in all cases to Section 14(f) of the Exchange Act, it being understood that the Company shall have no

obligation to comply with Section 14(f) until after the Offer is completed and that the Company agrees to comply with such section as promptly as practicable thereafter, provided that, prior to the Effective Time (as defined in Section 2.1.2 hereof), the Company shall use its best efforts to assure that the Company's Board of Directors shall always have (at its election) at least three members who are directors of the Company as of the date hereof.

II. THE MERGER

2.1. Merger.

2.1.1. Merger. Subject to the terms and conditions hereof, (a) the Purchaser shall be merged with and into the Company and the separate corporate existence of the Purchaser shall thereupon cease (the "Merger") in accordance with the applicable provisions of the Michigan Business Corporation Act ("MBCA") and the General Corporation Law of the State of Delaware and (b) each of the Company and Parent shall use its best efforts to cause the Merger to be consummated as soon as practicable following the expiration of the Offer.

2.1.2. Effective Time. As soon as practicable following fulfillment or waiver of the conditions specified in Article VI hereof, and provided that this Agreement has not been terminated or abandoned pursuant to Section 7.1 hereof, the Company and the Purchaser (the "Constituent Corporations") will cause a Certificate of Merger (the "Certificate of Merger") to be filed with the administrator of the Corporations and Securities Bureau of the Department of Commerce of the State of Michigan (the "Administrator") as provided in Sections 131 and 707 of the MBCA. The Merger shall become effective on the date on which the Certificate of Merger has been duly endorsed by the Administrator (the "Effective Time").

2.1.3. Effect of Merger. The Company shall be the surviving corporation in the Merger (sometimes hereinafter referred to as the "Surviving Corporation") and shall continue to be governed by the laws of the State of Michigan, and the separate corporate existence of the Company and all of its rights, privileges, immunities and franchises, public or private, and all its duties and liabilities as a corporation organized under the MBCA, shall continue unaffected by the Merger. The Merger shall have the effects specified in the MBCA. The Restated Articles of Incorporation (the "Articles") and the By-Laws (the "By-Laws") of the Company in effect at the Effective Time shall be the Articles of Incorporation and By-Laws of the Surviving Corporation, until duly amended in

accordance with their terms and the MBCA. The directors of the Purchaser immediately prior to the Effective Time shall be the directors of the Surviving Corporation, and the officers of the Company at the Effective Time shall be the officers of the Surviving Corporation, from and after the Effective Time, until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the terms of Surviving Corporation's Articles of Incorporation and By-Laws and the MBCA.

2.1.4. Conversion of Shares. At the Effective Time, (a) each then outstanding Share not owned by Parent, the Purchaser or any other direct or indirect subsidiary of Parent (other than those Shares held in the treasury of the Company and Shares held by Shareholders who perfect any appraisal rights that they may have under Michigan law) shall be cancelled and retired and be converted into a right to receive in cash an amount per Share of Common Stock or Preferred Stock, as the case may be, equal to the highest price per Share paid for a Share of such stock by the Purchaser pursuant to the Offer (the "Merger Price"), (b) each then outstanding Share owned by Parent, the Purchaser or any other direct or indirect subsidiary of Parent shall be cancelled and retired, and no payment shall be made with respect thereto, (c) each Share issued and held in the Company's treasury shall be cancelled and retired, and no payment shall be made with respect thereto, and (d) each outstanding share of common stock of the Purchaser shall be converted into and become a share of common stock of the Surviving Corporation, which thereafter shall constitute all of the issued and outstanding shares of capital stock of the Surviving Corporation.

2.2. Shareholders' Meeting of the Company. The Company shall take all action necessary in accordance with applicable law and its Articles and By-Laws to convene a meeting of its shareholders promptly after the purchase of Shares pursuant to the Offer to consider and vote upon the approval of the Merger, if such shareholder approval is required by applicable law, provided, however, that nothing herein shall affect the right of the Purchaser to take action by written consent in lieu of a meeting to the extent permitted by applicable law. At any such meeting all of the Shares then owned by Parent, the Purchaser or any other direct or indirect subsidiary of Parent shall be voted in favor of the Merger. Subject to its fiduciary duties under applicable law, the Board of Directors of the Company shall recommend that the Company's shareholders approve the Merger if such shareholder approval is required.

2.3. Consummation of the Merger. The closing of the Merger (the "Closing") shall take place (a) at the principal

executive offices of the Company as promptly as practicable after the later of (i) the day of (and immediately following) the receipt of approval of the Merger by the Company's shareholders if such approval is required, or as soon as practicable after completion of the Offer if such approval by shareholders is not required, and (ii) the day on which the last of the conditions set forth in Article VI hereof is satisfied or duly waived, or (b) at such other time and place and on such other date as the Purchaser and the Company shall agree.

2.4. Payment for Shares. The Purchaser shall authorize the depositary for the Offer (or one or more commercial banks organized under the laws of the United States or any state thereof with capital, surplus and undivided profits of at least $100,000,000) to act as Paying Agent hereunder with respect to the Merger (the "Paying Agent"). Each holder of a certificate or certificates which prior to the Effective Time represented Shares shall be entitled to receive, upon surrender to the Paying Agent of such certificate or certificates for cancellation and subject to any required withholding of taxes, the aggregate amount of cash into which the Shares previously represented by such certificate or certificates shall have been converted in the Merger. On or before the Effective Time, the Purchaser shall make available to the Paying Agent sufficient funds to make all payments pursuant to the preceding sentence. Until surrendered to the Paying Agent, each certificate which immediately prior to the Effective Time represented outstanding Shares (other than Shares owned by Parent, the Purchaser or any other direct or indirect subsidiary of Parent and Shares held by shareholders who perfect any appraisal rights that they may have under Michigan law) shall be deemed for all corporate purposes to evidence only the right to receive upon such surrender the aggregate amount of cash into which the Shares represented thereby shall have been converted, subject to any required withholding of taxes. No interest shall be paid on the cash payable upon the surrender of the certificate or certificates. Any cash delivered or made available to the Paying Agent pursuant to this Section 2.4 and not exchanged for certificates representing Shares within six months after the Effective Time shall be returned by the Paying Agent to the Surviving Corporation which shall thereafter act as Paying Agent, subject to the rights of holders of unsurrendered certificates representing Shares under this Article II and any former shareholders of the Company who have not theretofore complied with the instructions for exchanging their certificates representing Shares shall thereafter look only to the Surviving Corporation for payment of their claim for the consideration set forth in Section 2.1, without any interest thereon, but shall have no greater rights against the Surviving

Corporation (or either Constituent Corporation) than may be accorded to general creditors thereof under applicable law. Notwithstanding the foregoing, neither the Paying Agent nor any party hereto shall be liable to a holder of Shares for any cash or interest thereon delivered to a public official pursuant to applicable abandoned property laws. Promptly after the Effective Time, the Paying Agent shall mail to each record holder of certificates which immediately prior to the Effective Time represented Shares a form of letter of transmittal and instructions for use thereof in surrendering such certificates and receiving the Merger Price for each Share previously represented thereby.

2.5. Closing of the Company's Transfer Books. At the Effective Time, the stock transfer books of the Company shall be closed and no transfer of Shares shall thereafter be made. If, after the Effective Time, certificates formerly representing Shares are presented to the Surviving Corporation, they shall be cancelled, retired and exchanged for cash as provided in Section 2.4 hereof.

2.6. The Company Stock Options and Related Matters. (a) Prior to the Effective Time, the Board of Directors of the Company shall adopt such resolutions, if any, as are necessary to adjust the terms of all the employee stock options to purchase Shares of Common Stock granted pursuant to the 1977 Stock Option Plan (the "Options") to provide for the cancellation of such Options effective as of immediately prior to the Effective Time as set forth in this Section 2.6(a). If necessary or appropriate, the Company will, upon the request of the Purchaser, use its best efforts to obtain the written acknowledgment of each employee holding such an Option that the payment of the amount of cash referred to below will satisfy the Company's obligation to such employee pursuant to such Option and take such other action as is necessary or appropriate to effect the provisions of this Section 2.6(a). Immediately prior to the Effective Time, each Option which is not then exercisable or vested, shall become fully exercisable and vested, and each such Option and all other Options shall be cancelled, effective as of immediately prior to the Effective Time, in exchange for a payment by the Surviving Corporation of an amount, payable on the earlier of the holder's termination of employment with the Surviving Corporation or January 15, 1988, in each case equal to the product of (i) the total number of shares of Common Stock subject to such Option and (ii) the excess of the Merger Price over the exercise price per Share subject to such Option.

(b) Prior to the Effective Time, the Board of Directors of the Company shall adopt appropriate resolutions to provide for

the cancellation of (i) the Shares of Common Stock which have been awarded to employees pursuant to the Executive Incentive Plan ("EIP") which are, as of the date hereof, subject to restrictions under the EIP ("Restricted Shares"), and (ii) the book value units which have been granted under the EIP ("Units") as set forth in the following sentence and, if necessary or appropriate, the Company will, upon the request of the Purchaser, use its best efforts to obtain the written acknowledgment of each employee holding such Restricted Shares and/or Units that the payment of the amount of cash referred to below will satisfy the Company's obligations to such employee in connection with such Restricted Shares and Units, as the case may be, and such other action as is necessary or appropriate to effect the provisions of this Section 2.6(b). Immediately prior to the Effective Time, (i) each such Restricted Share shall be cancelled in exchange for an amount equal to the Merger Price and (ii) each such Unit will be cancelled in exchange for $10 in cash, payable by the Surviving Corporation, in each case on the earlier of termination of employment with the Surviving Corporation of such holder of Units or Restricted Shares, as the case may be, or January 15, 1988.

III. REPRESENTATIONS AND WARRANTIES OF PARENT AND THE PURCHASER

Parent and the Purchaser hereby jointly and severally represent and warrant to the Company that:

3.1. Corporate Organization.

3.1.1. Parent. Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Parent has the requisite corporate power to own or lease and operate its properties and assets and to carry on its business as it is now being conducted.

3.1.2. Purchaser. The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Parent owns indirectly all of the outstanding capital stock of the Purchaser.

3.2. Authority. Each of Parent and the Purchaser has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly approved by the respective Boards of Directors of Parent and the Purchaser and by Parent and one or more of its appropriate direct or indirect wholly owned subsidiaries as the

3.6. Consents and Approvals; No Violation. Except as set forth in Schedule 3.6, neither the execution and delivery of this Agreement by Parent and the Purchaser nor the consummation by Parent and the Purchaser of the transactions contemplated hereby will (a) conflict with or result in any breach of, any provision of their respective articles of incorporation or by-laws (or comparable governing instruments), or (b) violate, conflict with, constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in the creation of any lien or other encumbrance upon any of the properties or assets of Parent or any of its subsidiaries under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease agreement or other instrument or obligation to which Parent or any such subsidiary is a party or to which they or any of their respective properties or assets are subject, except for such violations, conflicts, breaches, defaults, terminations, accelerations or creations of liens or other encumbrances, which, individually or in the aggregate, will not have a material adverse effect on the business, financial condition or results of operations of Parent and its subsidiaries, taken as a whole, or (c) require any consent, approval, authorization or permit of or from, or filing with or notification to, any governmental or regulatory authority, except (i) pursuant to the Exchange Act, (ii) filing certificates of merger pursuant to the MBCA and the laws of any other state, (iii) filings required under the securities or blue sky laws of the various states, (iv) filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), (v) filings under laws and regulations of various foreign jurisdictions, or (vi) consents, approvals, authorizations, permits, filings or notification which if not obtained or made will not, individually or in the aggregate, have a material adverse effect on the business, financial condition or results of operations of Parent and its subsidiaries, taken as a whole.

3.7 Financing. Parent and the Purchaser have obtained and have executed and delivered a written commitment with Citibank, N.A., a copy of which has heretofore been provided to the Company, to provide all of the financing necessary to consummate the Offer, the Merger and the transactions contemplated hereby.

IV. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to Parent and the Purchaser that:

4.1. Corporate Organization. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Michigan. The Company has the requisite corporate power to own or lease and operate its properties and assets and to carry on its businesses as they are now being conducted. The Company has furnished Parent true and correct copies of its Articles and By-Laws.

4.2. Capitalization. As the date hereof, the authorized capital stock of the Company consist of (a) 20,000,000 Shares of Common Stock and (b) 20,000,000 shares of preferred stock, no par value. As of June 30, 1987, (a) 6,970,332 Shares of Common Stock were validly issued and outstanding, fully paid and nonassessable and not subject to preemptive rights and (b) 17,102 Shares of Preferred Stock were validly issued and outstanding, fully paid and nonassessable. Restricted Shares are issued and outstanding. Since June 30, 1987, the Company has not issued any additional Shares other than pursuant to the exercise of Options outstanding on June 30, 1987, or upon conversion of Preferred Stock. Except as set forth in this Section 4.2, there are no shares of capital stock of the Company issued or outstanding and there are no outstanding subscriptions, options, warrants, rights, convertible securities (other than Preferred Stock) or any other agreements or commitments of any character relating to the issued or unissued capital stock or other securities of the Company obligating the Company to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock of the Company or obligating the Company to grant, extend or enter into any subscription, option, warrant, right, convertible security or other similar agreement or commitment. Except as set forth in Schedule 4.2, there are no voting trusts or other agreements or understandings to which the Company or any subsidiary of the Company is a party with respect to the voting of the capital stock of the Company. As of June 30, 1987, there were outstanding (a) Options to purchase 121,665 Shares of Common Stock (121,665 Shares of Common Stock had been reserved for issuance under the Option Plan), which Options had an average exercise price of $18.64, (b) 522,866 Restricted Shares, and (c) 522,866 Units. Since June 30, 1987, the Company has not granted or awarded, as the case may be, any Options, Restricted Shares or Units.

4.3. Authority. The Company has the requisite corporate power and authority to enter into this Agreement and, except for any required approval of the Company's shareholders, to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly approved by the Board of Directors of the Company and no other corporate

proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the transactions so contemplated, subject only, to the extent required with respect to the consummation of the Merger, to approval, if necessary, by the shareholders of the Company as provided in Section 2.2. This Agreement has been duly executed and delivered by, and constitutes a valid and binding obligation of, the Company, enforceable against the Company in accordance with its terms.

4.4. Consent and Approvals; No Violation. Neither the execution and delivery of this Agreement by the Company nor the consummation by the Company of the transactions contemplated hereby will (a) conflict with or result in any breach or violation of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in the creation of any lien or other encumbrance upon any of the properties or assets of the Company or any of its subsidiaries under, any of the terms, conditions or provisions of (i) their respective articles of incorporation or by-laws or (ii) any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which the Company or any such subsidiary is a party or to which they or any of their respective properties or assets are subject, except for such violations, conflicts, breaches, defaults, terminations, accelerations or creations of liens or other encumbrances, which are set forth on Schedule 4.4 hereto or which, individually or in the aggregate, will not have a material adverse effect on the business, financial condition or results of operations of the Company and its subsidiaries, taken as a whole, or (b) require any consent, approval, authorization or permit of, or filing with or notification to, any governmental or regulatory authority, except (i) pursuant to the Exchange Act, (ii) filing certificates of merger pursuant to the MBCA and the laws of any other state, (iii) filings required under the securities or blue sky laws of the various states, (iv) filing under the HSR Act, (v) filings under laws and regulations of various foreign jurisdictions, (vi) filings and consents pursuant to the New Jersey Clean-Up Responsibility Act, or (vii) consents, approvals, authorizations, permits, filings or notifications which, if not obtained or made will not, individually or in the aggregate, have a material adverse effect on the business, financial condition or results of operations of the Company and its subsidiaries, taken as a whole.

4.5. Commission Filings. The Company has heretofore filed all reports with the Commission required to be filed pursuant to the Exchange Act since October 31, 1985, and has made

available to Parent copies of all such reports, including without limitation each registration statement, Current Report on Form 8-K, proxy or information statement, Annual Report on Form 10-K and Quarterly Report on Form 10-Q filed during such period (in the case of each such report, including all exhibits thereto). Such reports did not (as of their respective filing dates) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The audited and unaudited consolidated financial statements, together with the notes thereto, of the Company included (or incorporated by reference) in such reports fairly present the financial position of the Company and its consolidated subsidiaries as of the dates thereof and the results of their operations and changes in financial position for the periods then ended in accordance with generally accepted accounting principles applied on a consistent basis (except as stated in such financial statements), subject, in the case of the unaudited financial statements, to normal year-end audit adjustments.

4.6. Absence of Certain Changes. Except as disclosed in the reports made available to Parent pursuant to Section 4.5 hereof, or as disclosed to Parent in writing by the Company or as set forth on Schedule 4.6 hereto, since April 30, 1987, the Company and its subsidiaries have conducted their respective businesses only in the ordinary course and there has not been (a) any material adverse change in the business, financial condition or results of operations of the Company and its subsidiaries, taken as a whole, (b) in the case of the Company, any declaration, setting aside or payment of any dividend or other distribution with respect to its capital stock, other than the regular cash dividends on Shares of Common Stock and Shares of Preferred Stock, or (c) any change by the Company in accounting principles or methods.

4.7. Fees. Except as set forth in Schedule 4.7, neither the Company nor any of its subsidiaries has paid or become obligated to pay any fee or commission to any broker, finder or intermediary in connection with the transactions contemplated hereby.

4.8. Offer Documents. None of the information supplied by the Company or its subsidiaries expressly for inclusion in the Offer Documents or in any amendments thereto or supplements thereto will, at the time supplied or upon the expiration of the Offer, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

4.9. Schedule 14D-9. The Schedule 14D-9 shall comply as to form in all material respects with the applicable requirements of the Exchange Act and the rules and regulations thereunder and will not at the respective times the Schedule 14D-9 or any amendments thereto or supplements thereto are filed with the Commission, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company agrees promptly to correct any statements in the Schedule 14D-9 that shall have become false or misleading and to take all steps necessary to cause such Schedule 14D-9 as so corrected to be filed with the Commission and to be disseminated to holders of Shares, in each case as and to the extent required by applicable law.

4.10. Proxy Statement. The Proxy Statement and all amendments thereto and supplements thereto shall comply as to form in all material respects with the applicable requirements of the Exchange Act and the rules and regulations thereunder and shall not, at the time of (a) first mailing thereof and (b) the meeting, if any, of shareholders to be held in connection with the Merger, together with the amendments thereof and supplements thereto, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation is made by the Company with respect to information supplied in writing by Parent or any affiliates of Parent expressly for inclusion in the Proxy Statement.

4.11. Rights. The Company has redeemed all of the oustanding Rights issued pursuant to the Rights Agreement in accordance with the terms of the Rights Agreement and applicable law.

V. COVENANTS

5.1. Acquisition Proposals. Except as set forth in Schedule 5.1 hereto, each of the Company and its subsidiaries shall not, directly or indirectly, and shall instruct and otherwise use its best efforts to cause their respective officers, directors, employees, agents or advisors or other representatives or consultants not to, solicit or initiate any proposals or offers from any person relating to any acquisition or purchase of all or a material amount of the assets of, or any securities of, or any merger, consolidation or business combination with, the Company or any of its subsidiaries.

notwithstanding the foregoing, the Company may furnish information concerning its business, properties or assets to a corporation, partnership, person or other entity or group other than Parent and the Purchaser or an affiliate or associate of Parent and the Purchaser, provision as to which is made elsewhere in this Agreement) and may negotiate with such entity or group if Wachtell, Lipton, Rosen & Katz, special counsel to the Company, advises the Company's Board of Directors that, in the opinion of such firm, the failure to furnish such information or negotiate with such entity or group could subject the Company's Directors to liability for breach of their fiduciary duties. The Company shall (a) promptly notify Parent in the event of any proposal or offer of the type referred to in the first sentence of this Section 5.1 or any decision to furnish information to negotiate referred to in the second sentence of this Section 5.1 and (b) promptly furnish Parent copies of all written information furnished to any corporation, partnership, person or other entity or group pursuant to the second sentence of this Section 5.1 to the extent not previously furnished to Parent.

5.2. Redemption of Preferred Stock. The Company may, and if requested by the Purchaser after consummation of the Offer shall, redeem the then-outstanding Preferred Stock and cause payment to be made to the holders thereof in accordance with the terms of the Preferred Stock and all applicable laws prior to the record date for the meeting of shareholders contemplated by Section 2.2 hereof or, if no such meeting is required to be held by applicable law, prior to the Effective Time, with the result that, when such Shares of Preferred Stock are redeemed, the only shares of capital stock of the Company issued and outstanding immediately prior to such record date or the Effective Time, as the case may be, will be Shares of Common Stock.

5.3. Interim Operations. During the period from the date of this Agreement to the time that the designees of Parent shall have been elected to, and constitute a majority of, the Board of Directors of the Company pursuant to Section 1.4 hereof, except as specifically contemplated by this Agreement, or as set forth in Schedule 5.3 or as otherwise approved in writing by the Purchaser:

5.3.1. Conduct of Business. The Company shall, and shall cause each of its subsidiaries to, conduct their respective businesses only in, and not take any action except in, the ordinary and usual course of business and consistent with past practice, provided, however, that, notwithstanding the foregoing (but only to the extent not inconsistent with the provisions of Section 5.1), the Company may incur reasonable

and customary costs, expenses, obligations or liabilities in connection with any other offer to acquire Shares or assets of the Company. The Company shall use reasonable efforts to preserve intact the business organization of the Company and each of its subsidiaries, to keep available the services of its and their present officers and key employees, and to preserve the goodwill of those having business relationships with it or its subsidiaries.

5.3.2. Articles and By-Laws. The Company shall not and shall not permit any of its subsidiaries to make or propose any change or amendment to their respective articles of incorporation or by-laws (or comparable governing instruments).

5.3.3. Capital Stock. The Company shall not, and shall not permit any of its subsidiaries to, issue or sell any shares of capital stock or any other securities of any of them (other than pursuant to the Options or the outstanding Preferred Stock) or issue any securities convertible into or exchangeable for, or options, warrants to purchase, scrip, rights to subscribe for, calls or commitments of any character whatsoever relating to, or enter into any contract, understanding or arrangement with respect to the issuance of, any shares of capital stock or any other securities of any of them (other than pursuant to Options or the outstanding Preferred Stock) or (except as contemplated by Section 5.2 hereof) enter into any arrangement or contract with respect to the purchase or voting of shares of their capital stock, or adjust, split, combine or reclassify any of their capital stock or other securities, or make any other changes in their capital structures.

5.3.4. Dividends. Except as contemplated by Section 5.2 hereof, the Company shall not and shall not permit any of its subsidiaries to, declare, set aside, pay or make any dividend or other distribution or payment (whether in cash, stock or property) with respect to, or purchase or redeem, any shares of the capital stock of any of them other than (a) regular quarterly cash dividends of $.125 per Share of Common Stock, (b) regular quarterly cash dividends on the Preferred Stock, (c) dividends paid by its subsidiaries to the Company with respect to their capital stock, and (d) redemption of the Rights in accordance with the Rights Agreement.

5.3.5. Employee Plans, Compensation, Etc. (a) Except as provided in Section 2.6 hereof, this Section 5.3.5 or as set forth in Schedule 5.3.5(a) hereto, the Company shall not, and shall not permit any of its subsidiaries to, adopt or amend any bonus, profit sharing, compensation, severance, termination, stock option, pension, retirement, deferred compensation,

employment or other employee benefit agreements, trusts, plans, funds or other arrangements for the benefit or welfare of any director, officer or employee, or (except for normal increases in the ordinary course of business that are consistent with past practices and that, in the aggregate, do not result in a material increase in benefits or compensation expense to the Company or pursuant to collective bargaining agreements as presently in effect) increase in any manner the compensation or fringe benefits of any director, officer or employee or pay any benefit not required by any existing plan or arrangement (including without limitation the granting of stock options or stock appreciation rights) or take any action or grant any benefit not expressly required under the terms of any existing agreements, trusts, plans, funds or other such arrangements or enter into any contract, agreement, commitment or arrangement to do any of the foregoing.

(b) The Purchaser agrees that the Company shall honor and, on and after the Effective Time, the Purchaser shall cause the Surviving Corporation to honor, without offset, deduction, counterclaims, interruptions or deferment (other than withholdings under applicable law), all employment, severance, termination, consulting and retirement agreements to which the Company or any of its subsidiaries is presently a party ("Benefit Agreements"). All of the Benefit Agreements providing for payments in excess of $50,000 are specifically identified in reports made available to Purchaser pursuant to Section 4.5 hereof or in Schedule 5.3.5(b) hereto.

(c) The Purchaser agrees that the Company shall make and, on and after the Effective Time, the Purchaser shall cause the Surviving Corporation to make, (i) to each officer and employee of the Company who so elects (such election to be made in writing any time within six months of the time payments first become due under his employment contract), a lump sum payment, based upon the net present value of all employment, severance and retirement benefits to which such officer or employee is otherwise entitled under the Benefit Agreements (other than benefits pursuant to plans that are qualified plans within the meaning of Section 401(a) of the Internal Revenue Code of 1986, as amended ("Qualified Plans"), which shall not be paid in a lump sum pursuant to this Section 5.3.5(c)) to which he is a party or under which he has rights in lieu of periodic or deferred payments thereunder, with the net present value of such lump sum payment being determined using an 8% annual discount rate (except that the lump sum payments of the net present value of retirement benefits under the Benefits Agreements (other than retirement benefits payable pursuant to Qualified Plans) shall be determined using a 9% annual discount rate), provided, however, that such lump sum payments shall be

made only to officers and employees who otherwise are entitled to periodic or deferred payments under Benefit Agreements to which they are parties and then only to the extent of such entitlement except as expressly provided herein and (ii) to each non-employee director of the Company, a lump sum payment, based upon the net present value of the retirement benefits to which he or she is otherwise entitled under the Company's retirement program for non-employee directors, payable on the date that he or she ceases to be a director of the Company, using a 9% annual discount rate.

(d) It is the present intention of the Purchaser, to the extent permitted by law, that it will cause the Company to take such actions as are necessary so that, for not less than two years after the Effective Time, employees of the Company and its subsidiaries during such period (other than employees holding or being a party to Benefit Agreements for which provision is made elsewhere in this Section 5.3.5) will be provided employee benefit and incentive compensation and similar plans and programs as will provide compensation and benefits which in the aggregate are not materially less favorable than those provided to such employees as of the date hereof, provided, however, that it is understood that after the Effective Time no party hereto shall have any obligation to issue shares of capital stock of any entity or to continue, or replace with any equivalent plan, any of the following plans of the Company: the Executive Incentive Plan or the 1977 Stock Option Plan.

5.3.6. Debt. Except as set forth on Schedule 5.3.6 hereto, the Company and its subsidiaries will not, except in the ordinary course of business, (a) incur or assume any indebtedness, or (b) make any loans, advances or capital contributions to, or investments (other than intercompany accounts and short-term investments pursuant to customary cash management systems of the Company in the ordinary course and consistent with past practices) in, any other person other than such of the foregoing as are made by the Company to or in a wholly owned subsidiary of the Company.

5.3.7. Representation and Warranty. Except as set forth in Schedule 5.3.7 hereto, the Company represents and warrants to the Purchaser and Parent that during the period from April 30, 1987 to and including the date hereof, neither the Company nor any of its subsidiaries has taken or omitted to take any action which would constitute a material breach of any covenant contained in this Section 5.3 if such covenant had applied throughout such period.

5.4. Access and Information. Without limiting the generality of Section 5.1 hereof, the Company shall afford to Parent and its representatives (including, directors, officers and employees of Parent and its affiliates, and counsel, accountants and other professionals retained by Parent) such access during normal business hours throughout the period prior to the Effective Time to the Company's books, records (including, without limitation, tax returns and work papers of the Company's independent auditors), properties, personnel and to such other information as Parent shall reasonably request, provided, however, that no investigation pursuant to this Section 5.4 shall affect or be deemed to modify any of the representations or warranties made by the Company in this Agreement. Subject to the requirements of law, Parent shall hold in confidence, and shall instruct and use its reasonable best efforts to cause its representatives to keep confidential, all such non-public information it may acquire in its investigation pursuant to this Section 5.4, and if this Agreement is terminated, Parent shall, and shall instruct and use its reasonable best efforts to cause its representatives to, deliver to the Company all documents, work papers and other material (including copies) obtained by Parent or such representatives pursuant to this Section 5.4 and such of the foregoing as has been furnished by the Company to the Parent or the Purchaser prior to the date hereof, whether so obtained before or after the execution hereof.

5.5. Certain Filings, Consents and Arrangements. Parent, the Purchaser and the Company shall (a) promptly make their respective filings, and shall thereafter use their best efforts to promptly make any required submissions, under the HSR Act with respect to the Offer, the Merger and the other transactions contemplated by this Agreement and (b) cooperate with one another (i) in promptly determining whether any filings are required to be made or consents, approvals, permits or authorizations are required to be obtained under any other federal, state or foreign law or regulation and (ii) in promptly making any such filings, furnishing information required in connection therewith and seeking timely to obtain any such consents, approvals, permits or authorizations.

5.6. State Takeover Statutes. The Company shall, upon the request of the Purchaser, take all reasonable steps to assist in any challenge by the Purchaser to the validity or applicability to the Offer or the Merger of any state takeover law.

5.7. Proxy Statement. As soon as practicable after the termination or expiration of the Offer, the Company shall, if required by applicable law in order to consummate the Merger,

repare the Proxy Statement, file it with the Commission, and ail it to all holders of Shares. Parent, the Purchaser and he Company shall cooperate with each other in the preparation f the Proxy Statement; without limiting the generality of the oregoing, Parent and the Purchaser shall furnish to the ompany the information relating to Parent and the Purchaser equired by the Exchange Act to be set forth in the Proxy tatement.

5.8. Indemnification and Insurance. For six years after he Effective Time, Parent shall cause the Surviving orporation to indemnify, defend and hold harmless the present nd former officers, directors, employees and agents of the ompany and its subsidiaries (an "Indemnified Party") after the ffective Time against all losses, claims, damages or iabilities arising out of actions or omissions occurring on, rior to or after the Effective Time to the full extent rovided under Michigan law and the Company's By-Laws in effect t the date hereof, including without limitation provisions elating to advances of expenses incurred in the defense of any ction or suit (including without limitation attorneys' fees of ounsel selected by the Indemnified Party reasonably atisfactory to the Surviving Corporation as so provided), rovided that any determination required to be made with espect to whether an Indemnified Party's conduct complies with he standards set forth under Michigan law and the Company's y-laws shall be made by independent counsel selected by the urviving Corporation and reasonably satisfactory to the ndemnified Party. The Surviving Corporation shall use its est efforts to maintain the Company's existing officers' and irectors' liability insurance ("D&O Insurance") in full force nd effect without reduction of coverage for a period of three ears after the Effective Time, provided, however, that the urviving Corporation shall not be required to pay an annual remium therefor in excess of two times the last annual premium aid prior to the date hereof (the "Current Premium"), and, rovided, further, however that if the existing D&O Insurance xpires, is terminated or cancelled during such three year eriod, the Surviving Corporation will use its best efforts to btain as much D&O Insurance as can be obtained for the emainder of such period for a premium on an annualized basis ot in excess of two times the Current Premium.

5.9. Additional Agreements. Subject to the terms and onditions herein provided, each of the parties hereto agrees o use its best efforts to take promptly, or cause to be taken, ll actions and to do promptly, or cause to be done, all things ecessary, proper or advisable under applicable laws and egulations to consummate and make effective the transactions ontemplated by this Agreement, including using its best

efforts to obtain all necessary actions or non-actions, extensions, waivers, consents and approvals from all applicable governmental or regulatory bodies, effecting all necessary registrations and filings (including without limitation filings under the HSR Act) and obtaining any required contractual consents, subject, however, to any required vote of the shareholders of the Company. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of the Agreement, the proper officers and/or directors of Parent, the Purchaser, the Company and the Surviving Corporation shall take such necessary action.

5.10. Compliance with Antitrust Laws. Each of Parent and the Company shall use its best efforts to resolve such objections, if any, which may be asserted with respect to the Offer or the Merger under the antitrust laws. In the event a suit is instituted challenging the Offer or the Merger as violative of the antitrust laws, each of Parent and the Company shall use their best efforts to resist or resolve such suit. Parent and the Company shall use their best efforts to take such action as may be required: (a) by the Antitrust Division of the Department of Justice or the Federal Trade Commission in order to resolve such objections as either may have to the Offer or the Merger under the antitrust laws, or (b) by any federal or state court in the United States, in any suit brought by a private party or governmental authority challenging the Offer or the Merger as violative of the antitrust laws, in order to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order or other order which has the effect of preventing the consummation of the Offer or the Merger. Notwithstanding the foregoing, however, the Company shall not be required to commit to a divestiture transaction that is to be consummated prior to the Effective Time. The entry by a court, in any suit brought by a private party or governmental authority challenging the Offer or the Merger as violative of the antitrust laws, of an order or decree permitting the Offer or the Merger, but requiring that any of the businesses, product lines or assets of Parent or the Company be held separate thereafter, shall not be deemed a failure to satisfy the conditions specified in Section 6.1.3 hereof or paragraph (a) of Exhibit A hereto.

VI. CONDITIONS

6.1. Conditions. The obligations of Parent, the Purchaser and the Company to consummate the Merger are subject to the satisfaction, at or before the Effective Time, of each of the following conditions, as applicable thereto:

6.1.1. Shareholder Approval. The shareholders of the Company shall have duly approved the Merger and adopted this Agreement, if required by applicable law.

6.1.2. Purchase of Shares. Purchaser shall have accepted for payment and purchased Shares pursuant to the Offer.

6.1.3. Injunctions; Illegality. The consummation of the Merger shall not be precluded by any order, injunction, decree or ruling of a court of competent jurisdiction or any domestic governmental, regulatory or administrative agency or instrumentality (each party agreeing to use its best efforts to rectify any such occurrence), and there shall not have been any action taken or any statute, rule or regulation enacted, promulgated or deemed applicable to the Merger by any government or governmental agency, domestic or foreign, which would prevent the consummation of the Merger.

6.1.4. HSR Act. Any applicable waiting period under the HSR Act shall have expired or been terminated.

6.2. Parent Obligations. The obligations of Parent and the Purchaser to consummate the Merger shall be subject to the satisfaction at or prior to the Effective Time of the additional condition that the Company shall have satisfied and complied with in all material respects each of the covenants of the Company contained herein from the time the Purchaser accepts Shares for payment pursuant to the Offer up to and including such time as designees of Parent shall have been elected to, and shall constitute a majority of, the Board of Directors of the Company pursuant to Section 1.4 hereof.

VII. MISCELLANEOUS

7.1. Termination. This Agreement may be terminated and the Merger contemplated hereby may be abandoned (a) by the mutual consent of the Boards of Directors of Parent, the Purchaser and the Company; (b) by Parent and the Purchaser, on the one hand, or the Company, on the other hand, if the Offer shall expire or be terminated or withdrawn without any Shares being purchased thereunder or it shall be terminated or it shall not have been commenced by the close of business on July 15, 1987, or if the Purchaser shall not have purchased Shares validly tendered and not withdrawn pursuant to the Offer within 60 days after commencement of the Offer, provided, however, that the party seeking to terminate this Agreement pursuant to this Section 7.1(b) shall not be in breach of this Agreement; (c) by the Company, if Parent or the Purchaser materially breaches any of the representations and warranties or covenants contained in this Agreement; (d) by either Parent and the Purchaser or the Company, if the Merger is not consummated prior to December 31, 1987; provided, however, that the right to terminate this Agreement under this Section 7.1(d) shall not

be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur on or before such date; (e) by either Parent and the Purchaser, on the one hand, or the Company, on the other hand, if either one (or any permitted assignee hereunder) is precluded by an order or injunction (other than an order or injunction issued on a preliminary basis) of a court of competent jurisdiction from consummating the Merger and all means of appeal and all appeals from such order or injunction shall have been finally exhausted; and (f) by either Parent and the Purchaser, on the one hand, or the Company, on the other hand, if the Board of Directors of the Company determines that it will not recommend acceptance of the Offer and approval of the Merger by the Company's stockholders (or if such recommendation is withdrawn) and shall have recommended another offer to the Company's stockholders. In the event of any termination and abandonment pursuant to this Section 7.1, no party hereto (or any of its directors or officers) shall have any liability or further obligation to any other party to this Agreement, except for obligations under the last sentence of Sections 1.1, 1.3 and 5.4 and all of Section 7.10 hereof and except that nothing herein shall relieve any party from liability for any breach of this Agreement. Any action by the Company to terminate this Agreement pursuant to this Section 7.1 shall require only the approval of a majority of the directors of the Company then in office who are directors of the Company on the date hereof, or persons nominated or elected to succeed such directors by a majority of such directors (the "Continuing Directors").

7.2. Non-Survival of Representations, Warranties and Agreements. The representations and warranties or agreements in this Agreement shall terminate at the Effective Time or the earlier termination of this Agreement pursuant to Section 7.1, as the case may be, provided, however, that if the Merger is consummated, Sections 2.6, 5.3.5, 5.8 and 5.9 hereof shall survive the Effective Time to the extent contemplated by such Sections, and provided further, however, that the last sentences of Sections 1.1, 1.3 and 5.4 and all of Section 7.10 hereof shall in all events survive any termination of this Agreement.

7.3. Waiver and Amendment. Subject to applicable provisions of the MBCA, any provision of this Agreement may be waived at any time by the party which is, or whose shareholders are, entitled to the benefits thereof, and this Agreement may be amended or supplemented at any time, provided that no amendment shall be made after any shareholder approval of the Merger which reduces the Merger Price without further shareholder approval, provided further that any action by the

Company to waive or amend any provision of this Agreement shall require the approval of a majority of the Continuing Directors. No such waiver, amendment or supplement shall be effective unless in writing and signed by the party or parties sought to be bound thereby.

7.4. Entire Agreement. This Agreement contains the entire agreement among Parent, the Purchaser and the Company with respect to the Offer, the Merger and the other transactions contemplated hereby and thereby, and such Agreement supersedes all prior agreements among the parties with respect to such matters.

7.5. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in that State, except for Article II hereof which shall be governed by and construed in accordance with the laws of the States of Delaware and Michigan to the extent that reference thereto is made in Article II hereof, and any provisions relating to the internal governance of the Company, on the one hand, or the Purchaser and Parent, on the other hand, which shall be governed by the laws of the States of Michigan and Delaware, respectively.

7.6. Interpretation. For purposes of this Agreement, a "subsidiary" of a corporation means any corporation more than 50% of the outstanding voting securities of which is directly or indirectly owned by such other corporation. The descriptive headings contained herein are for convenience and reference only and shall not affect in any way the meaning or interpretation of this Agreement.

7.7. Notices. All notices and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by cable, telegram, telex or other standard form of telecommunications, or by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to the Company to:

Day International Corporation
333 West First Street
Dayton, Ohio 45402
Attention: Chairman and Chief Executive Officer

With copies to:

Dickstein, Shapiro & Morin
2101 L Street, N.W.
Washington, D.C. 20037
Attention: John W. Griffin, Esq.

Wachtell, Lipton, Rosen & Katz
299 Park Avenue
New York, New York 10171
Attention: Andrew R. Brownstein, Esq.

If to Parent or the Purchaser to:

M. A. Hanna Company
100 Erieview Plaza
36th Floor
Cleveland, Ohio 44114
Attention: Chairman and Chief Executive Officer

With a copy to:

Jones, Day, Reavis & Pogue
2300 LTV Center
Dallas, Texas 75201
Attention: Robert A. Profusek, Esq.

or to such other address as any party may have furnished to the other parties in writing in accordance herewith.

7.8. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original but all of which together shall constitute but one agreement.

7.9. Parties in Interest; Assignment. Except for Sections 2.6, 5.3.5(a), (b) and (c) and 5.8 hereof (which are intended to be for the benefit of officers and employees to the extent contemplated thereby and their beneficiaries, and may be enforced by such persons), this Agreement is not intended to nor shall confer upon any other person (other than the parties hereto) any rights or remedies. Except as otherwise expressly provided herein, this Agreement is binding upon and is solely for the benefit of the parties hereto and their respective successors, legal representatives and assigns. The Purchaser shall have the right (a) to assign to Parent or any direct or indirect wholly owned subsidiary of Parent any and all rights and obligations of the Purchaser under this Agreement, including, without limitation, the right to substitute in its place Parent or such a subsidiary as one of the constituent corporations in the Merger (such subsidiary assuming all of the obligations of the Purchaser in connection with the Merger), provided that any such assignment shall not relieve Parent or the Purchaser from any of its obligations hereunder, and (b) to transfer to Parent or to any direct or indirect wholly owned

subsidiary of Parent the right to purchase Shares tendered pursuant to the Offer, provided that any such transfer shall not relieve the Purchaser from any of its obligations thereunder.

7.10. Expenses. Whether or not the Offer or Merger is consummated, all costs and expenses incurred in connection with the Offer, this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, provided, however, that in the event of a termination of this Agreement by the Company pursuant to Section 7.1(f) hereof, the Company shall promptly (following the submission of reasonable substantiating documentation if requested by the Company) reimburse Parent and the Purchaser for up to $6,000,000 of its reasonable out-of-pocket costs and expenses actually incurred by the Purchaser or Parent in connection with the Offer, the Merger and the transactions contemplated by this Agreement, including without limitation the fees and expenses of the financial advisors and counsel to Parent, the Purchaser and the financial advisors and all fees and expenses incurred by Parent or the Purchaser to obtain financing commitments for the Offer and the Merger, including without limitation the commitment fees payable to Citibank, N.A. pursuant to the financing commitment previously furnished to the Company and referred to in Section 3.7 hereof.

7.11. Enforcement of the Agreement. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

7.12. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party hereto. Upon any such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as

possible in an acceptable manner to the end that the transactions contemplated by this Agreement are consummated to the extent possible.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

ATTESTED:

By _____

DAY INTERNATIONAL CORPORATION

By _____
Chairman and Chief Executive Officer

By _____

M. A. HANNA COMPANY

By _____
Chairman and Chief Executive Officer

By _____

HANAC ACQUISITION COMPANY

By _____
Chairman

2634C

OFFER TO PURCASE FOR CASH

OUTSTANDING SHARES OF COMMON STOCK

DAY INTERNATIONAL CORPORATION

Offer to Purchase for Cash
All Outstanding Shares of Common Stock and
All Outstanding Shares of
$4.25 Convertible Preferred Stock, Series A of

Day International Corporation

at

$48 Net Per Share

for the Common Stock

and

$258.72 Net Per Share

for the Series A Preferred Stock

by

Hanac Acquisition Company

an indirect wholly owned subsidiary of

M. A. Hanna Company

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON MONDAY, AUGUST 10, 1987, UNLESS EXTENDED.

The Board of Directors of Day International Corporation has unanimously (with one director absent) approved the Offer and the Merger (as hereinafter defined) and recommends that shareholders accept the Offer.

The Offer is conditioned upon, among other things, a number of Common Shares being validly tendered pursuant to the Offer and not withdrawn prior to the Expiration Date (as hereinafter defined) which, when added to the Common Shares then beneficially owned by Hanac Acquisition Company and M. A. Hanna Company, will represent not less than a majority of the Common Shares outstanding on a fully diluted basis. See Section 13 with respect to other conditions of the Offer.

Any shareholder desiring to tender all or any portion of his Shares should either (i) complete and sign the appropriate Letter of Transmittal (the BLUE Letter of Transmittal for Common Shares and the YELLOW Letter of Transmittal for Preferred Shares) or a facsimile copy thereof in accordance with the instructions in the appropriate Letter of Transmittal and mail or deliver the Letter of Transmittal or such facsimile with his share certificates and any other required documents to the Depositary or tender such Shares pursuant to the procedure for book-entry transfer set forth in Section 3 or (ii) request his broker, dealer, commercial bank, trust company or other nominee to effect the transaction for him. Shareholders having Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if they desire to tender their Shares so registered.

Any shareholder who desires to tender Shares and whose certificates for such Shares are not immediately available, or who cannot comply in a timely manner with the procedure for book-entry transfer, should tender such Shares by following the procedures for guaranteed delivery set forth in Section 3.

Questions and requests for assistance may be directed to the Information Agent or to the Dealer Manager at their respective addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Requests for additional copies of this Offer to Purchase and the Letters of Transmittal may be directed to the Information Agent, to the Dealer Manager or to brokers, dealers, commercial banks or trust companies.

The Dealer Manager is:

PaineWebber Incorporated

July 14, 1987

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To All Common and Preferred Shareholders of Day International Corporation:

INTRODUCTION

Hanac Acquisition Company, a Delaware corporation (the "Purchaser"), hereby offers to purchase (i) all outstanding shares of Common Stock, par value $1.00 per share (the "Common Shares"), of Day International Corporation, a Michigan corporation (the "Company"), at $48 per Common Share, net to the seller in cash, and (ii) all outstanding shares of $4.25 Convertible Preferred Stock, Series A, no par value (the "Preferred Shares"), of the Company at $258.72 per Preferred Share, net to the seller in cash, in each case upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letters of Transmittal (which together constitute the "Offer"). See Section 1. (Common Shares and Preferred Shares are sometimes collectively referred to herein as "Shares.") The Purchaser is a wholly owned subsidiary of Hanac Corp., a Delaware corporation ("HC"). HC is a wholly owned subsidiary of M. A. Hanna Company, a Delaware corporation ("Hanna"). See Section 9.

Tendering shareholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 to the Letters of Transmittal, transfer taxes on the purchase of Shares by the Purchaser pursuant to the Offer. The Purchaser will pay all charges and expenses of PaineWebber Incorporated (the "Dealer Manager"), National City Bank (the "Depositary") and D.F. King & Co., Inc. (the "Information Agent") in connection with the Offer.

The Board of Directors of the Company has unanimously (with one director absent) approved the Offer and the Merger (as hereinafter defined) and recommends that shareholders accept the Offer. The purpose of the Offer is to facilitate the acquisition of the Company by Hanna pursuant to the Merger and to enable all shareholders of the Company to receive the cash price being offered for Shares at the earliest practicable time. The purpose of the Merger is to acquire all then-outstanding Shares not tendered and purchased pursuant to the Offer, thereby completing the acquisition of the Company. See Section 11.

The Offer is being made pursuant to an Agreement of Merger, dated as of July 10, 1987 (the "Merger Agreement"), among Hanna, the Purchaser and the Company. Pursuant to the Merger Agreement, and subject to the terms and conditions thereof, the Purchaser will be merged with and into the Company (the "Merger") as soon as practicable following the acceptance for payment and payment for Shares by the Purchaser pursuant to the Offer and the satisfaction of the other conditions to the Merger as provided in the Merger Agreement. The Company will continue as the surviving corporation after the Merger and, as such, is sometimes referred to herein as the "Surviving Corporation." At the effective time of the Merger (the "Effective Time"), and subject to the prior redemption of the Preferred Shares as described below, each then-outstanding Share not owned by Hanna, the Purchaser or any other direct or indirect subsidiary of Hanna (other than those Shares held in the treasury of the Company) will be converted into a right to receive in cash an amount per Common Share or Preferred Share, as the case may be, equal to the highest price paid per Common Share and Preferred Share, respectively, by the Purchaser pursuant to the Offer (the "Merger Price"), without interest. See Section 11.

As described more fully in Section 11, the Merger Agreement provides that the Company may, and if requested by the Purchaser after consummation of the Offer shall, redeem the then-outstanding Preferred Shares and cause payment to be made to the holders thereof in accordance with the terms of the Preferred Shares and all applicable laws prior to the Record Date (as hereinafter defined), if applicable, or the Effective Time. The redemption price for the Preferred Shares (the "Preferred Share Redemption Price") specified in the Company's Restated Articles of Incorporation (the "Company's Articles") is $100 per Preferred Share, together with the amounts of any dividends accrued or unpaid thereon to the date of redemption. The Purchaser presently intends to request that the Company redeem the outstanding Preferred Shares following the consummation of the Offer. See Section 11. **The Preferred Share Redemption Price is substantially less than the $258.72 per Preferred Share which holders of Preferred Shares will receive if they tender their Preferred Shares pursuant to the Offer or convert their Preferred Shares into Common Shares prior to the Merger. Holders of Preferred Shares should decide for themselves whether to continue to hold such Shares, to tender such Shares into the Offer, to convert such Shares into Common Shares or otherwise to sell such Shares. Assuming completion of the Offer, to receive a price per Preferred Share equal to that offered**

pursuant to the Offer, holders of Preferred Shares may have to tender their Preferred Shares into the Offer or convert their Preferred Shares into Common Shares. Such conversion must be effected not later than the close of business on the fifteenth full business day prior to the date fixed for redemption, or such later date as may be fixed by the Company's Board of Directors, if applicable. See Section 11.

As a result of the approval of the Merger by the Company's Board of Directors, pursuant to the applicable provisions of the Michigan Business Corporation Act (the "MBCA") and the Company's Articles, the only shareholder approval that may be required with respect to the Merger is the affirmative vote of the holders of a majority of each class of the Shares outstanding at the date fixed for the determination of the shareholders entitled to vote with respect to the approval of the Merger (the "Record Date"), if any such approval by shareholders is required. If the Purchaser acquires a number of Common Shares pursuant to the Offer which, when added to the Common Shares beneficially owned by the Purchaser, represents a majority of the then-outstanding Common Shares on a fully diluted basis and, after the consummation of the Offer, the Company redeems all of the then-outstanding Preferred Shares, the Purchaser will have sufficient voting power to approve the Merger without the vote of any other shareholders of the Company. In addition, under Michigan law, if the Purchaser owns 90% or more of the Common Shares outstanding on a fully diluted basis and the Company redeems all of the then-outstanding Preferred Shares (or if the Purchaser owns 90% or more of the then-outstanding Preferred Shares), after consummation of the Offer, the Purchaser could cause the Merger to be effected without a shareholder meeting and without the vote or consent of any other shareholders of the Company. See Section 11.

The Offer is conditioned upon, among other things, a number of Common Shares being validly tendered pursuant to the Offer and not withdrawn prior to the Expiration Date which, when added to the Common Shares then beneficially owned by the Purchaser and Hanna, will represent not less than a majority of the Common Shares outstanding on a fully diluted basis (the "Minimum Share Condition"). See Section 13. If such minimum number of Shares is not tendered prior to the Expiration Date, the Purchaser may consider extending the Expiration Date. There can be no assurance, however, that the Purchaser will so extend the Expiration Date. See Sections 1, 2 and 13.

The Offer is also subject to other conditions, all of which (other than the Minimum Share Condition) are for the sole benefit of the Purchaser and may be asserted by the Purchaser in its sole judgment. See Section 13.

According to information provided by the Company, at June 30, 1987, there were outstanding (i) 6,970,332 Common Shares, (ii) 17,102 Preferred Shares, which Preferred Shares were convertible into 92,180 Common Shares, and (iii) employee stock options granted pursuant to the Company's 1977 Stock Option Plan ("Options") to purchase 121,665 Common Shares. The Purchaser presently beneficially owns 344,800 Common Shares, or approximately 4.95% of the Common Shares outstanding at June 30, 1987 and approximately 4.8% of such Common Shares plus all Common Shares issuable at such date upon the conversion of all Preferred Shares and the exercise of all Options. The Purchaser does not presently beneficially own any Preferred Shares. Assuming 7,184,177 Common Shares outstanding on a fully diluted basis as of the Expiration Date, if 3,247,289 Common Shares are validly tendered pursuant to the Offer and not withdrawn, the Minimum Share Condition would be satisfied.

On July 10, 1987, the Company redeemed all of the outstanding preferred stock purchase rights (the "Rights") issued pursuant to a Rights Agreement, dated as of September 16, 1986 (the "Rights Agreement"), between the Company and Bank One, Dayton, NA. As a result of such redemption, holders of record of Common Shares on July 10, 1987 will be entitled to receive the redemption price of $0.02 per Right.

1. Terms of the Offer. Upon the terms and subject to the conditions of the Offer, the Purchaser will accept for payment, and thereby purchase, all Shares validly tendered prior to the Expiration Date and not withdrawn pursuant to Section 4. The term "Expiration Date" means 12:00 midnight, New York City time, on Monday, August 10, 1987, unless and until the Purchaser shall have extended the period for which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date on which the Offer, as so extended by the Purchaser, shall expire. As set forth in the Merger Agreement, the Purchaser has agreed that it will not extend, except as required by law, the time of original expiration of the Offer, if all conditions to the Offer are then satisfied or waived.

The Purchaser expressly reserves the right, at any time or from time to time, in its sole discretion, subject to the Merger Agreement, to extend the period during which the Offer is open by giving oral or written notice of such extension to the Depositary and by making a public announcement of such extension. If the Purchaser shall decide, in its sole discretion, to increase the consideration offered in the Offer to holders of Common Shares and/or Preferred Shares (or, subject to the approval of the Company's Board of Directors, decrease the consideration offered to such shareholders) and, at the time that notice of such increase (or decrease) is first published, sent or given to holders of Common Shares and/or Preferred Shares in the manner specified below, the Offer is scheduled to expire at any time earlier than the expiration of a period ending on the tenth business day from, and including, the date that such notice is first so published, sent or given, the Offer will be extended until the expiration of such period of ten business days. For the purposes of the Offer, a "business day" means any day other than a Saturday, Sunday or federal holiday, and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time.

The Purchaser also expressly reserves the right, subject to the Merger Agreement, (i) to delay acceptance for payment of any Shares, to delay payment for any Shares, regardless of whether such Shares were theretofore accepted for payment, or to terminate the Offer and not accept for payment or pay for any Shares not theretofore accepted for payment or paid for, upon the occurrence of any of the conditions specified in Section 13, or to comply, in whole or in part, with any applicable law, by giving oral or written notice of such delay in acceptance for payment or payment or termination to the Depositary and (ii) at any time or from time to time, to amend the Offer in any respect. As set forth in the Merger Agreement, the Purchaser has agreed that it will not, except as required by law, amend the Offer other than amendments which increase the amount of cash to be paid for Shares pursuant to the Offer. See Section 11. If the Purchaser makes any amendment to the Offer that constitutes a material change to the Offer, it will, if required by applicable law, extend the period of time during which the Offer is open in accordance with applicable law for a period sufficient to allow shareholders to consider the Offer by giving oral or written notice of such extension to the Depositary and by making a public announcement thereof. Any extension, delay in acceptance for payment or payment, termination or amendment will be followed as promptly as practicable by public announcement thereof, such announcement in the case of an extension to be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. The Purchaser will disseminate public announcements concerning material changes to the Offer in accordance with applicable law. The manner in which the Purchaser will make any such public announcement may, if appropriate, be limited to a release to the Dow Jones News Service. The reservation by the Purchaser of the right to delay acceptance for payment of or payment for any Shares is subject to the provisions of applicable law, which require that the Purchaser pay the consideration offered or return such Shares deposited by or on behalf of shareholders promptly after the termination or withdrawal of the Offer. Any delay in acceptance for payment or payment beyond the time permitted by applicable law will be effectuated by an extension of the period of time during which the Offer is open.

Pursuant to the Merger Agreement, the Company has agreed to promptly furnish to the Purchaser a list of the holders of Shares and mailing labels containing the names and addresses of all record holders of Shares and lists of securities positions of Shares held in stock depositories, for the purpose of disseminating the Offer to holders of Shares. The Offer to Purchase and the Letters of Transmittal will be mailed by the Purchaser to record holders of Shares and will be furnished to brokers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the Company's shareholder lists or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to beneficial owners of Shares.

2. Acceptance for Payment and Payment for Shares. Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the Purchaser will accept for payment, and thereby purchase, and will pay for, all Shares validly tendered prior to the Expiration Date (and not withdrawn pursuant to Section 4) as soon as practicable after the latest of (i) the Expiration Date, (ii) the expiration or termination of the waiting period applicable to the Purchaser's acquisition of Shares pursuant to the Offer under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder (collectively, the "HSR Act"), and (iii) the satisfaction or waiver of all conditions to the Offer. See Section 13. In all cases, payment

for Shares purchased pursuant to the Offer will be made only after timely receipt by the Depositary of (i) certificates for such Shares, or timely confirmation (a "Book-Entry Confirmation") of the book-entry transfer of such Shares into the Depositary's account at The Depository Trust Company, the Midwest Securities Trust Company, the Pacific Securities Depository Trust Company or the Philadelphia Depository Trust Company (collectively, the "Book-Entry Transfer Facilities") pursuant to the procedures set forth in Section 3, (ii) a properly completed and duly executed appropriate Letter of Transmittal (the BLUE Letter of Transmittal for Common Shares and the YELLOW Letter of Transmittal for Preferred Shares) or facsimile thereof with any required signature guarantees, and (iii) any other documents required by such Letter of Transmittal.

Hanna filed a Notification and Report Form under the HSR Act on July 13, 1987, with respect to the Offer and, accordingly, the waiting period with respect to the Offer under the HSR Act is scheduled to expire at 11:59 p.m., New York City time, on July 28, 1987. Prior to the expiration of the waiting period, however, the Federal Trade Commission (the "FTC") or the Antitrust Division of the Department of Justice (the "Antitrust Division") may extend the waiting period by requesting additional information from Hanna. If such a request is made, the waiting period will expire at 11:59 p.m., New York City time, on the tenth calendar day after Hanna has substantially complied with the request. Only one extension of the waiting period pursuant to the request for additional information is authorized by the HSR Act, and any further request for additional information which may be made of Hanna will not extend the waiting period without a court order or the consent of Hanna. For further information with respect to the HSR Act and antitrust matters, see Section 15.

For purposes of the Offer, the Purchaser will be deemed to have accepted for payment, and thereby purchased, tendered Shares if, as and when the Purchaser gives oral or written notice to the Depositary of its acceptance for payment of the tenders of such Shares. Payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the purchase price therefor with the Depositary, which will act as agent for the tendering shareholders for purposes of receiving payments from the Purchaser and transmitting such payments to the tendering shareholders. Under no circumstances will interest on the purchase price for Shares be paid, regardless of any delay in making such payment.

If the Purchaser extends the Offer, is delayed in its acceptance for payment of, or payment for, Shares or is unable to accept for payment or pay for Shares pursuant to the Offer for any reason, then, without prejudice to the Purchaser's rights under this Offer to Purchase, the Depositary may, nevertheless, on behalf of the Purchaser, retain tendered Shares, and such Shares may not be withdrawn except to the extent tendering shareholders are entitled to, and duly exercise, withdrawal rights as described in Section 4.

If any tendered Shares are not accepted for payment pursuant to the terms and conditions of the Offer for any reason, or if certificates representing more Shares than are tendered are submitted to the Depositary, certificates for such unpurchased or untendered Shares will be returned, without expense to the tendering shareholder (or, in the case of Shares tendered by book-entry transfer of such Shares into the Depositary's account at a Book-Entry Transfer Facility pursuant to the procedures set forth in Section 3, such Shares will be credited to an account maintained within such Book-Entry Transfer Facility), as soon as practicable following the expiration, termination or withdrawal of the Offer.

If, prior to the Expiration Date, the Purchaser shall increase the consideration offered to shareholders pursuant to the Offer, such increased consideration shall be paid to all shareholders whose Shares are purchased pursuant to the Offer whether or not such Shares have been tendered prior to such increase in consideration.

The Purchaser reserves the right, in its sole discretion, to transfer or assign to any direct or indirect wholly owned subsidiary of Hanna, in whole or from time to time in part, the right to purchase Shares tendered pursuant to the Offer. In addition, the Purchaser reserves the right, in its sole discretion, to transfer or assign to any direct or indirect wholly owned subsidiary of Hanna, in whole or from time to time in part, Shares now or hereafter beneficially owned by the Purchaser. Any transfer or assignment contemplated in this paragraph will not relieve the Purchaser of its obligations under the Offer and will in no way prejudice the rights of tendering shareholders to receive payment for Shares validly tendered and accepted for payment pursuant to the Offer.

3. **Procedure for Tendering Shares.** For Shares to be validly tendered pursuant to the Offer, a properly completed and duly executed appropriate Letter of Transmittal (the BLUE Letter of Transmittal for

Common Shares and the YELLOW Letter of Transmittal for Preferred Shares) or facsimile thereof, with any required signature guarantees and any other documents required by such Letter of Transmittal, must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase. In addition, either (i) certificates for such Shares must be received by the Depositary, along with such Letter of Transmittal, at such address, or such Shares must be tendered pursuant to the procedures for book-entry tender set forth below and a Book-Entry Confirmation received by the Depositary, in each case prior to the Expiration Date, or (ii) the guaranteed delivery procedure set forth below must be complied with. Delivery of documents to an account established by the Depositary at a Book-Entry Transfer Facility does not constitute delivery to the Depositary.

The Depositary will establish accounts with respect to the Shares at the Book-Entry Transfer Facilities for purposes of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in a Book-Entry Transfer Facility's system may make book-entry delivery of Shares by causing such Book-Entry Transfer Facility to transfer such Shares into the Depositary's account in accordance with such Book-Entry Transfer Facility's procedure for such transfer. Although delivery of Shares may be effected through book-entry at a Book-Entry Transfer Facility, a properly completed and duly executed appropriate Letter of Transmittal (the BLUE Letter of Transmittal for Common Shares and the YELLOW Letter of Transmittal for Preferred Shares) or facsimile thereof, with any required signature guarantees and any other documents required by such Letter of Transmittal, must, in any case, be transmitted to and received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date, or the guaranteed delivery procedure described below must be complied with.

Signatures on all Letters of Transmittal must be guaranteed by a firm that is a member of a registered national securities exchange or of the National Association of Securities Dealers, Inc. (the "NASD") or by a commercial bank or trust company having an office or correspondent in the United States (collectively, "Eligible Institutions"), unless the Shares tendered thereby are tendered (i) by a registered holder of such Shares who has not completed either the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" on the Letter of Transmittal or (ii) for the account of an Eligible Institution. See Instruction 1 of the Letters of Transmittal. If the certificates for Shares are registered in the name of a person other than the signer of a Letter of Transmittal, or if payment is to be made or unpurchased or untendered Shares are to be issued to a person other than the registered holder, the certificates for Shares must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered holder or holders appear on the certificates, with the signatures on the certificates or stock powers guaranteed as provided in the Letter of Transmittal. See Instruction 5 of the Letters of Transmittal. **The method of delivery of all required documents is at the election and risk of each shareholder. If delivery is by mail, the use of registered mail with return receipt requested, properly insured, is recommended.**

To prevent back-up federal income tax withholding at a 20% rate on payments made to certain shareholders with respect to the purchase price of Shares purchased pursuant to the Offer, each such shareholder must provide the Depositary with its correct taxpayer identification number and certify that he is not subject to back-up federal income tax withholding by completing the substitute Form W-9 included as part of the Letters of Transmittal.

If a shareholder desires to tender Shares pursuant to the Offer and such shareholder's certificates are not immediately available, or if the procedure for book-entry transfer cannot be completed on a timely basis, or such shareholder cannot deliver the certificates and all other required documents to the Depositary prior to the Expiration Date, such Shares may nevertheless be tendered if all of the following guaranteed delivery procedures are complied with:

(i) such tenders are made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Purchaser herewith, is received by the Depositary as provided below prior to the Expiration Date; and

(iii) the certificates for all physically delivered Shares in proper form for transfer, or a confirmation of a book-entry transfer of such Shares into the Depositary's account at a Book-Entry Transfer Facility as described above, together with a properly completed and duly executed appropriate Letter of Transmittal (the BLUE Letter of Transmittal for Common Shares and the YELLOW Letter of Transmittal for Preferred Shares) or facsimile thereof, with any required signature guarantees and all other documents required by such Letter of Transmittal, are received by the Depositary within five New York Stock Exchange, Inc. ("NYSE") trading days after the date of such Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, telex, facsimile transmission or mail to the Depositary and must include a signature guarantee by an Eligible Institution in the form set forth in such Notice of Guaranteed Delivery.

In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of certificates for such Shares or of a Book-Entry Confirmation relating to such Shares and a properly completed and duly executed appropriate Letter of Transmittal (the BLUE Letter of Transmittal for Common Shares and the YELLOW Letter of Transmittal for Preferred Shares) or facsimile thereof, with any required signature guarantees and all other documents required by such Letter of Transmittal. By executing a Letter of Transmittal as set forth above, a tendering shareholder irrevocably appoints designees of the Purchaser as his proxies, with full power of substitution in the manner set forth in such Letter of Transmittal, to the full extent of such shareholder's rights with respect to the Shares tendered by such shareholder and accepted for payment by the Purchaser and with respect to any and all other shares or other securities issued or issuable in respect of such Shares on or after July 1, 1987. All such proxies shall be considered coupled with an interest in the tendered Shares. Such appointment will be effective when, and only to the extent that, the Purchaser accepts such Shares for payment. Upon such appointment, all prior proxies given by such shareholder (with respect to such Shares and such other shares and securities) will be revoked, without further action, and no subsequent proxies may be given by such shareholder (and, if given, will not be deemed effective). The Purchaser's designees will be empowered, among other things, to exercise all voting and other rights of such shareholder as they in their sole discretion may deem proper at any annual, special or adjourned meeting of the shareholders of the Company or otherwise. The Purchaser reserves the right to require that, in order for Shares to be validly tendered, immediately upon the acceptance for payment of such Shares the Purchaser is able to exercise full voting rights with respect to such Shares (or other securities or rights), including voting at any meeting of shareholders, whether or not scheduled, and consenting to any action to be taken by shareholders of the Company in the absence of a meeting.

All questions as to the form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by the Purchaser, in its sole discretion, which determination shall be final and binding on all parties. The Purchaser reserves the absolute right to reject any and all tenders determined by it not to be in proper form or the acceptance for payment of which may, in the opinion of the Purchaser's counsel, be unlawful. The Purchaser also reserves the absolute right to waive (other than the Minimum Share Consideration) or to amend (subject to any required approval of the Company pursuant to the Merger Agreement) any of the conditions of the Offer or any defect or irregularity in the tender of any Shares. The conditions may be considered to be material to the Offer. If the Purchaser waives any material condition of the Offer, it will, if required by applicable law, extend the period of time during which the Offer is open in accordance with applicable law for a period sufficient to allow shareholders to consider the Offer by giving oral or written notice of such extension to the Depositary and by making a public announcement thereof. No tender of Shares will be deemed to have been validly made until all defects and irregularities have been cured or waived. None of the Purchaser, HC, Hanna, the Depositary, the Information Agent, the Dealer Manager or any other person will be under any duty to give notification of any defects or irregularities in tenders or shall incur any liability for failure to give any such notification. The Purchaser's interpretation of the terms and conditions of the Offer (including the Letters of Transmittal and instructions thereto) will be final and binding.

It is a violation of Section 10(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 10b-4 promulgated thereunder, for a person to tender Shares for his own account unless the person so tendering (i) owns such Shares or (ii) owns other securities convertible into or exchangeable for such Shares or owns an option, warrant or right to purchase such Shares and intends to acquire such Shares

for tender by conversion, exchange, or exercise of such option, warrant or right. Section 10b-4 provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person. The tender of Shares pursuant to one of the procedures described above will constitute a binding agreement between the tendering shareholder and the Purchaser on the terms and subject to the conditions of the Offer, including the tendering shareholder's representation and warranty that (i) such shareholder owns the Shares being tendered within the meaning of Rule 10b-4 promulgated under the Exchange Act and (ii) the tender of such Shares complies with Rule 10b-4.

4. Rights of Withdrawal. Except as otherwise stated in this Section 4, tenders of Shares made pursuant to the Offer are irrevocable. Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date and, unless theretofore accepted for payment by the Purchaser pursuant to the Offer, may also be withdrawn at any time after September 11, 1987. If the Purchaser extends the Offer, is delayed in its acceptance of, or payment for, Shares or is unable to accept for payment or pay for Shares pursuant to the Offer for any reason, then, without prejudice to the Purchaser's rights under this Offer to Purchase, the Depositary may, nevertheless, on behalf of the Purchaser, retain tendered Shares, and such Shares may not be withdrawn except to the extent that tendering shareholders are entitled to, and duly exercise, withdrawal rights as described in this Section 4.

For a withdrawal to be effective, a written, telegraphic, telex or facsimile notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the names in which the certificates evidencing the Shares to be withdrawn are registered, if different from that of the person who tendered such Shares. If certificates for Shares have been delivered or otherwise identified to the Depositary, then, prior to the release of such certificates, the tendering shareholder must also submit the serial numbers shown on the particular certificates representing the Shares to be withdrawn and, unless such Shares have been tendered for the account of an Eligible Institution, the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been tendered pursuant to the procedures for book-entry transfer set forth in Section 3, any notice of withdrawal must also specify the name and number of the account at the appropriate Book-Entry Transfer Facility to be credited with the withdrawn Shares.

All questions as to the form and validity (including time of receipt) of any notice of withdrawal will be determined by the Purchaser, in its sole discretion, which determination shall be final and binding on all parties. None of the Purchaser, HC, Hanna, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give such notification. Any Shares properly withdrawn will be deemed not to be validly tendered for purposes of the Offer, but may be retendered at any subsequent time prior to the Expiration Date by again following one of the procedures described in Section 3.

5. Certain Federal Income Tax Consequences. The receipt of cash for Shares pursuant to the Offer (or pursuant to the Merger) will be a taxable transaction for federal income tax purposes and may also be a taxable transaction under applicable state, local, foreign and other tax laws. In general, for federal income tax purposes, a shareholder will recognize gain or loss upon such exchange equal to the difference between his adjusted tax basis in the Shares sold in the Offer and the amount of cash received in exchange therefor. Such gain or loss generally will be capital gain or loss for federal income tax purposes if the Shares were held as capital assets.

Under the Internal Revenue Code of 1986, as amended (the "Code"), the maximum marginal federal income tax rate applicable to net capital gain (the excess of net long-term capital gain over net short-term capital loss) recognized in taxable years beginning after December 31, 1986 for noncorporate taxpayers is 28%; for corporate taxpayers, the maximum marginal federal income tax rate applicable to net capital gain recognized after December 31, 1986 is 34%. Excess short-term and long-term capital losses may be deducted by a noncorporate taxpayer against ordinary income only in an amount not to exceed $3,000 in any year; capital losses are deductible by corporations only against capital gains.

The foregoing discussion may not apply to Shares acquired by a shareholder pursuant to an employee stock plan or otherwise as compensation, to shareholders who are not citizens or residents of the United States

or to other categories of shareholders subject to special treatment under federal income tax laws, such as dealers in securities, banks, insurance companies and tax-exempt entities.

The foregoing summary of certain federal income tax consequences of the Offer is included for general information only. Due to the individual nature of tax consequences, each shareholder is strongly urged to consult his own tax advisor with respect to the specific tax consequences to him of the Offer and the Merger, including the application and effects of applicable state, local, foreign and other tax laws and of changes in the tax laws under the Code.

6. Price Range of Shares; Dividends. The Common Shares and Preferred Shares are listed and traded on the NYSE and the Pacific Stock Exchange, Incorporated ("PSE"). The following table sets forth, for the calendar quarters or portion thereof indicated, the high and low sales prices on the NYSE Composite Tape and the amount of cash dividends paid per Common Share and Preferred Share in each such quarter or portion thereof as reported in published financial sources.

Common Shares

	High	Low	Dividend
1985:			
First Quarter	$19½	$14¼	$0.06
Second Quarter	21½	16⅜	0.06
Third Quarter	22	17¼	0.06
Fourth Quarter	20	16⅛	0.06
1986:			
First Quarter	$21¼	$18	$0.06
Second Quarter	22⅛	18⅝	0.06
Third Quarter	27¾	18¾	0.06
Fourth Quarter	30½	25	0.06
1987:			
First Quarter	$34¼	$27⅞	$0.10
Second Quarter	35¼	29	0.10
Third Quarter (through July 13, 1987)	52⅜	34⅝	0.125

Preferred Shares

	High	Low	Dividend
1985:			
First Quarter	$100	$ 80	$1.0625
Second Quarter	110	85	1.0625
Third Quarter	120	95	1.0625
Fourth Quarter	105	85	1.0625
1986:			
First Quarter	$115	$ 90	$1.0625
Second Quarter	120	98	1.0625
Third Quarter	150	98	1.0625
Fourth Quarter	162	125	1.0625
1987:			
First Quarter	$190	$150	$1.0625
*Second Quarter	190	155	1.0625
*Third Quarter (through July 13, 1987)	195	185	1.0625

*According to published financial sources, no active market existed for Preferred Shares during these periods. The figures presented represent the high and low (as indicated) bid quotations for the periods indicated.

On July 6, 1987, the last full day of trading prior to the public announcement by the Company that Hanna had advised the Company that it was prepared to propose to acquire the Company pursuant to a negotiated transaction in which holders of Common Shares would receive $45 per Common Share in cash, the closing sales price of the Common Shares as reported on the NYSE Composite Tape was $34⅞. On July 9, 1987, the last full day of trading prior to the public announcement by the Company and Hanna that they had entered into the Merger Agreement, the closing sales price of the Common Shares as reported on the NYSE Composite Tape was $50¾. On July 13, 1987, the last full day of trading prior to the date of this Offer, the closing sales price of the Common Shares as reported on the NYSE was $47⅝.

Shareholders are urged to obtain current market quotations for the Shares.

On or about June 9, 1987, the Board of Directors of the Company declared a regular quarterly dividend of $0.125 per Common Share payable on August 27, 1987 to holders of record of Common Shares on August 1, 1987. Tendering shareholders who are holders of record of Common Shares on August 1, 1987 will be entitled to receive and retain such regular quarterly dividend regardless of when Shares are tendered or accepted for payment pursuant to the Offer. If the record date for regular quarterly dividends on the Preferred Shares occurs prior to the Expiration Date, tendering shareholders who are holders of record of Preferred Shares on such record date will be entitled to receive and retain such regular quarterly dividends regardless of when Preferred Shares are tendered or accepted for payment pursuant to the Offer. See Section 14 for additional information with respect to dividends and distributions on Shares.

7. Effect of the Offer on the Market for the Shares; Stock Exchange Listings; Registration Under the Exchange Act. The purchase of Shares pursuant to the Offer will reduce the number of Shares that might otherwise trade publicly and may reduce the number of holders of Shares, which could adversely affect the liquidity and market value of the remaining Shares held by the public.

Listing. The Common Shares and Preferred Shares presently are listed on the NYSE and the PSE. The NYSE's published guidelines indicate that it would consider delisting the Common Shares if, among other things, (i) the number of record holders of 100 or more Common Shares should fall below 1,200, (ii) the number of publicly held Common Shares (exclusive of holdings of officers, directors and members of their immediate families and other concentrated holdings of 10% or more ("Excluded Holdings")) should fall below 600,000, or (iii) the aggregate market value of the publicly held Common Shares should fall below $5 million. If not delisted sooner, the Common Shares will be delisted from the NYSE after the consummation of the Merger. The NYSE's published guidelines also indicate that it would consider delisting the Preferred Shares if, among other things, (i) the Common Shares were delisted, (ii) the number of publicly held Preferred Shares (exclusive of Excluded Holdings) should fall below 100,000, or (iii) the aggregate market value of publicly held Preferred Shares should fall below $2 million. If not delisted sooner, the Preferred Shares will be delisted from the NYSE after the earlier to occur of (i) the redemption by the Company of the then-outstanding Preferred Shares and (ii) the consummation of the Merger. See Section 11.

The PSE's published guidelines indicate that it would consider delisting the Common Shares if, among other things, (i) the number of record holders of Common Shares should fall below 500 or (ii) the number of publicly held Common Shares (exclusive of Excluded Holdings) should fall below 100,000. The PSE would also consider delisting the Common Shares if the number of record holders of 100 or more Common Shares should fall below 200 or the aggregate market value of publicly held Common Shares should fall below $500,000 for a six-month period. The PSE's published guidelines also indicate that it would consider delisting the Preferred Shares if, among other things, (i) the aggregate market value of the Preferred Shares (exclusive of Excluded Holdings) should fall below $400,000, (ii) the number of publicly held Preferred Shares (exclusive of Excluded Holdings) should fall below 50,000, (iii) the number of record holders of Preferred Shares should fall below 100, (iv) the number of persons holding the most widely held class of the Company's equity securities should fall below 500, or (v) the total assets of the Company should fall below $1 million.

If the Common Shares or the Preferred Shares were delisted by the NYSE and PSE, it is possible that such Shares would begin to trade in the over-the-counter market and that price quotations would be reported through the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or other sources during such period as such Shares should remain outstanding. The extent of the public market for the Common Shares or the Preferred Shares and the availability of the quotations would, however, depend

upon the number of holders of such Shares remaining at such time, the interest in maintaining a market in such Shares on the part of securities firms, the possible termination of registration of such Shares under the Exchange Act, as described below, and other factors.

Margin Regulations. The Common Shares and Preferred Shares are "margin securities" as that term is defined under the rules of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which has the effect, among other things, of allowing brokers to extend credit on the collateral of such Shares. Depending upon factors similar to those described above regarding listing and market quotations, it is possible that the Common Shares or the Preferred Shares might no longer constitute margin securities for purposes of the Federal Reserve Board's margin regulations and, therefore, might become ineligible as collateral for margin loans made by brokers. In addition, if registration of the Shares under the Exchange Act were terminated, the Shares would no longer constitute "margin securities."

Exchange Act Registration. The Common Shares and Preferred Shares presently are registered under the Exchange Act. Registration of either the Common Shares or Preferred Shares may be terminated upon application by the Company to the Securities and Exchange Commission (the "Commission") if the Common Shares or Preferred Shares, as the case may be, are not listed on a national securities exchange and there are fewer than 300 record holders of such Shares. The termination of the registration of the Shares under the Exchange Act would reduce the information required to be furnished by the Company to shareholders and would make certain of the provisions of the Exchange Act, such as the requirement of furnishing a proxy statement in connection with meetings of shareholders, no longer applicable with respect to the Shares. Furthermore, "affiliates" of the Company and persons holding "restricted securities" of the Company might be deprived of the ability to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended. If registration of the Common Shares or Preferred Shares under the Exchange Act were terminated, such Shares would no longer be eligible for NASDAQ reporting or for continued inclusion on the Federal Reserve Board's list of margin securities, and the "short swing" trading and reporting provisions of the Exchange Act would no longer be applicable to such Shares. The Purchaser intends to seek to cause the Company to terminate registration of the Shares under the Exchange Act as soon after consummation of the Offer as the requirements for such termination of registration are met.

8. Certain Information Concerning the Company. The Company is a Michigan corporation with its principal executive offices located at 333 West First Street, Dayton, Ohio 45402-3042.

According to information contained in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1986 (the "Company's Form 10-K"), the Company is a worldwide manufacturer and distributor of products used in the graphic arts, textile, industrial, automotive and architectural sectors, and is the domestic leader in custom rubber and plastic compounding, single-ply roofing, and a supplier of wallcovering for commercial, residential and high-styled applications. In addition, the Company's Form 10-K states that the Company employs 4,000 people at 14 locations, including four offshore.

According to the Company's Form 10-K, on October 24, 1986, the Company sold certain rubber products businesses. The Company's Form 10-K states that these operations impacted each of the Company's segments, but primarily consisted of industrial and transportation operations.

Set forth below is certain selected consolidated financial information for the Company which has been derived from the Company's Form 10-K and the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 1987 (the "Company's Form 10-Q") filed with the Commission. The following summary is qualified by reference to such reports and other documents filed by the Company with the Commission and all of the financial information and related notes contained therein. Copies of such reports and other documents may be examined at or obtained from the Commission in the manner set forth below.

DAY INTERNATIONAL CORPORATION
and Subsidiaries

Selected Consolidated Financial Data
(In thousands — except per share data) (1)

	Six Months Ended April 30,		Year Ended October 31,		
	1987(2)(3)	1986	1986(4)	1985	1984
	(unaudited)				
INCOME STATEMENT DATA					
Net sales	$289,798	$441,952	$911,002	$905,189	$901,120
Earnings before income taxes and extraordinary items	2,129	10,803	20,014	29,588	32,031
Net earnings	2,651	5,412	3,116	15,100	16,065
Net earnings per common share					
Primary	.31	.73	.39	2.04	2.35
Fully diluted	.31	.61	.39	1.63	1.75

		October 31,	
	April 30, 1987	1986(4)	1985
	(unaudited)		
BALANCE SHEET DATA			
Working capital	$101,660	$193,160	$134,674
Total assets	335,271	511,393	482,856
Debt and capitalized lease obligations (less current portion)	36,304	51,461	134,251
Total shareholders' equity	158,366	236,246	178,472
Book value per share	N/A(5)	24.21	24.77

(1) The foregoing selected financial data should be read in conjunction with the Company's consolidated financial statements and notes thereto included in the Company's Form 10-K and the Company's Form 10-Q, and the pro forma consolidated condensed balance sheets at October 31, 1986 and 1985 and the pro forma consolidated condensed statements of earnings for the fiscal years ended October 31, 1986, 1985 and 1984, and the notes thereto, included in the Company's Amendment on Form 8, dated January 7, 1987, to its Current Report on Form 8-K, dated October 24, 1986.

(2) In April, 1987, the Company recorded an $8 million restructuring charge, the major components of which are:

a. a reserve for the future operating losses of the Company's Allen Industries division until the division is sold;
b. employee severance costs related to the Company's restructuring program;
c. lease termination charges and the related on-going costs at leased locations which are no longer expected to be used;
d. a reserve for the relocation of the Company's Canadian printing operations;
e. the final charges related to the Company's sale of certain rubber products businesses; and
f. the final charges related to the sale of the Company's Allen/Herrin plant.

(3) According to the Company's Form 10-Q, the Company received several payments from an insurance company and others during the first quarter of 1987 as part of the settlement of damages incurred by the Company during 1981 because of misrepresentations by a sales agent concerning foreign orders. As a result of this settlement, the Company recognized, net of legal and other related costs, an extraordinary credit of $1.8 million (net of taxes amounting to $1.5 million). According to the Company's Form 10-Q, in January, 1987, the Company repaid prior to scheduled maturity a 7½% registered note of $15 million, as a result of which the Company recognized a loss of $1.7 million (net of taxes amounting to $1.4 million).

(4) During 1986, the Company sold the assets of three operations: certain rubber products businesses, the Company's Sanitas wallcovering line and the Company's Allen/Herrin plant. For an explanation of the impact of these sales, see Note B of the Company's consolidated financial statements included in the Company's Form 10-K, and the disclosure under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the Company's Form 10-K.

(5) Book value per share as of April 30, 1987 is not disclosed in the Company's Form 10-Q.

On June 15, 1987, the Company published the following press release in respect of its results of operations for the second quarter and first half of its current fiscal year:

"Dayton, Ohio, June 15, 1987 — Day International Corporation, formerly Dayco Corp., reported profits for the first half of its fiscal year despite an $8 million pre-tax restructuring charge.

"Sales for the first half were $289,798,000 and net earnings were $2,651,000 after a second quarter restructuring charge of $8 million. These restructuring charges included:

1. A reserve for the future operating losses of Allen until the subsidiary is sold;
2. Employee severance costs related to the restructuring program;
3. Lease termination charges and the related on-going costs at leased locations which are no longer expected to be used;
4. A reserve for relocation of the Canadian printing operations;
5. The final charges related to the sale of certain rubber products businesses;
6. The final charges related to the sale of the Allen/Herrin plant.

"Due to the restructuring charges, the second quarter incurred a pre-tax loss of $2,458,000. Sales for the second quarter were $158,908,000 compared to $130,890,000 in Day's first quarter.

"The primary and fully diluted net earnings per share effect of the restructuring charge were 48 cents and 46 cents, respectively. Without the restructuring charge, primary and fully diluted net earnings per share would have been 79 cents and 77 cents, respectively, for the first six months of 1987, compared to 73 cents and 61 cents, respectively, for the first six months of 1986.

"After this charge, Day expects no further negative impacts to its profitability from its Allen Industries Division. Although a plan for the Allen management team to purchase Allen did not materialize, Day is in discussions with other interested parties that should finalize its sale in the near future. In any case, Day expects the restructuring charge to cover any loss on disposal as well as future operating losses.

"In addition to the restructuring charge, the 1987 six-month results include a $3.7 million loss from Day's Allen operation which won't be repeated in the future.

"Eliminating the impact of these two items from the results of Day's ongoing divisions for the first half of 1987 shows that sales increased 16 percent and operating profits increased 25 percent over the first half of 1986. (Operating profits are defined as earnings before taxes, interest and unallocated corporate expenses.)

"By fiscal year-end, Day expects to be comprised of operating units with a pre-tax return on investment in excess of 30 percent; a return on equity in the neighborhood of 17 to 19 percent, and a return on net sales of 4 percent, double that achieved by the group of business units that comprised Day prior to its restructuring.

" 'We are still projecting that we can achieve a minimum of $2 per share fully diluted for our 1987 fiscal year,' stated Richard J. Jacob, chairman and CEO.

" 'Our directors,' he continued, 'are confident, too, as evidenced by a second increase in dividends on common shares in the past seven months, a record for Day and its predecessor companies.'

"The remaining major business units that will comprise Day International are Cadillac Plastic and Chemical Co., L.E. Carpenter and Co., Colonial Rubber Works, Inc., Printing and Textile Products Co's."

On June 26, 1987, the Company published the following press release:

"Dayton, Ohio, June 26, 1987 — Day International Corporation and Forbo AG, of Zurich, Switzerland, today announced that an agreement has been signed for the sale of certain assets and assumption of certain liabilities of L.E. Carpenter to Hazelton Wallcovering, Inc. a Delaware company.

"The consideration for the net assets is approximately 37 million in U.S. dollars. The business to be acquired engages in the production and sale of wallcoverings. The contract is subject to the approval of the Board of Directors of both of the parent companies and the Federal Trade Commission.

"L.E. Carpenter and Hazelton Wallcoverings Inc., have worked diligently to ensure that the interest of those employees who will be transferred to the new company, as well as those remaining with L.E. Carpenter, will not be prejudiced by this transaction, according to officials from both companies.

"Day International is listed on the New York and Pacific stock exchanges and is headquartered in Dayton, Ohio. It consists of the five major business units which produce engineered consumable products serving most American and international industries. Its 1987 sales should be slightly less than $600 million."

Representatives of the Company have informed Hanna that the Company presently anticipates that the L. E. Carpenter and Co. asset disposition as described above will be completed by the end of July, 1987.

The information concerning the Company contained in this Offer to Purchase has been taken from or is based upon publicly available documents and records on file with the Commission and other public sources, or has been provided by the Company. None of the Purchaser, HC or Hanna takes responsibility for the accuracy or completeness of the information contained in such documents and records, or information provided by the Company, or for any failure by the Company to disclose events which may have occurred or may affect the significance or accuracy of any such information.

The Company is subject to the information and reporting requirements of the Exchange Act and in accordance therewith is obligated to file reports and other information with the Commission relating to its business, financial statements and other matters. Certain information, as of particular dates, concerning the Company's directors and officers, their remuneration, stock options granted to them, the principal holders of the Company's securities, any material interests of such persons in transactions with the Company and other matters is required to be disclosed in proxy statements distributed to the Company's shareholders and filed with the Commission. Such reports, proxy statements and other information may be inspected at the Commission's offices at 450 5th Street, N.W., Judiciary Plaza, Washington, D.C. 20549, and should also be available for inspection at the following regional offices of the Commission: Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Illinois 60604; and Jacob K. Javits Federal Building, 26 Federal Plaza, New York, New York 10278. Copies may be obtained, upon payment of the Commission's customary charges, by writing to its principal office at 450 5th Street, N.W., Judiciary Plaza, Washington, D.C. 20549. Such material should also be available for inspection at the libraries of the NYSE, 20 Broad Street, New York, New York 10005 and the PSE, 301 Pine Street, San Francisco, California 94101.

9. Certain Information Concerning the Purchaser, HC and Hanna. The Purchaser was incorporated in Delaware in 1986, and has engaged in no activities, except those incident to its formation, the acquisition of Common Shares, the negotiation and execution of the Merger Agreement and the commencement of the Offer. The Purchaser is a wholly owned subsidiary of HC, which is a wholly owned subsidiary of Hanna. HC was incorporated in Delaware in 1986, and has engaged in no activities, except those incident to its formation, the acquisition of all of the stock of Burton Rubber Processing, Inc. ("Burton Rubber") on December 29, 1986 (which it subsequently transferred to Hanna Holdings Company ("Hanna Holdings"), a wholly owned subsidiary of HC), the formation of Hanna Holdings and the Purchaser and the commencement of the Offer. The principal executive offices of the Purchaser, HC and Hanna are located at 100 Erieview Plaza, 36th Floor, Cleveland, Ohio 44114. The Purchaser is the beneficial owner of 344,800 Common Shares and presently owns no Preferred Shares. See Schedule II for information with respect to transactions in Shares within the past 60 days.

Hanna is a diversified supplier of basic materials to industry, with interests in polymer compounding, minerals and metals production (including iron ore and silicon) and energy resources (principally coal and oil and gas). Hanna serves international markets and has business interests in North and South America.

Over the past several years, Hanna has engaged in a restructuring program in response to the major realignment occurring in the steel and energy markets. Hanna also has a diversification program under way,

and in 1986 entered the polymers compounding business with the acquisition of Burton Rubber. Shares of Hanna's common and preferred stocks are listed on the NYSE.

Set forth below is certain summary consolidated financial information for Hanna for each of its last three fiscal years and each of the three-month periods ended March 31, 1986 and 1987. The summary below is qualified in its entirety by reference to more comprehensive financial information concerning Hanna included in its filings with the Commission and the financial information and related notes contained therein. Such filings may be examined and copies thereof may be obtained at the same places (other than the library of the PSE) and in the same manner as set forth in Section 8 with respect to the information concerning the Company.

M. A. HANNA COMPANY
and Subsidiaries
Selected Consolidated Financial Data
(In thousands — except per share data) (1)

	Three Months Ended March 31,		Year Ended December 31,		
	1987	1986	1986	1985	1984
	(unaudited)				
INCOME STATEMENT DATA					
Net sales and operating revenues	$49,619	$27,498	$130,352	$187,212	$167,516
Other revenues	9,270	13,049	67,464	43,763	42,795
Income (loss) before extraordinary credits	4,933	4,424	(104,515)	(125,969)	(9,461)
Net income (loss)	7,583	4,424	(104,515)	(115,214)	7,652
Income (loss) per share of common stock before extraordinary items	.30	.39	(9.38)	(11.14)	(.88)
Extraordinary items per share of common stock	.23	—	—	.95	1.59
Net income (loss) per share of common stock	.53	.39	(9.38)	(10.19)	.71

	March 31, 1987	December 31,	
		1986	1985
	(unaudited)		
BALANCE SHEET DATA			
Total assets	$409,682	$423,026	$532,813
Working capital	71,724	72,743	36,540
Total assets less goodwill	362,283	375,329	532,813
Total liabilities	129,763	147,971	218,961
Total stockholders' equity	279,919	275,055	313,892

(1) The above summary should be read in conjunction with Hanna's consolidated financial statements and the notes thereto included in Hanna's Annual Report on Form 10-K for the fiscal year ended December 31, 1986 and Hanna's Quarterly Report on Form 10-Q for the quarter ended March 31, 1987.

Hanna, through HC, will make a capital contribution of the amount required to purchase Shares pursuant to the Offer and the Merger and to pay related fees and expenses. See Section 12 for more information concerning Hanna's and the Purchaser's sources of funds with respect to the Offer and the Merger.

The name, business address, present principal occupation or employment, material occupations, positions, offices or employment for the past five years and citizenship of each Director and executive officer of the Purchaser, HC and Hanna, and the name, principal business and address of any corporation or other

organization in which such occupations, positions, offices and employment are or were carried on are set forth in Schedule I to this Offer to Purchase.

A description of certain litigation which involved a director of Hanna is set forth in Schedule III hereto. Except as set forth in Schedule III, during the past five years, none of the Purchaser, HC, Hanna or any of the individuals identified on Schedule I has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting activities subject to, federal or state securities laws, or finding any violation of such laws.

Except as a result of the Merger Agreement or as described in this Offer to Purchase and Schedule II hereto, none of the Purchaser, HC, Hanna or, to the best of their knowledge, any of the persons listed in Schedule I hereto or any associate or majority owned subsidiary of any of the foregoing, beneficially owns or has a right to acquire any equity securities of the Company, and none of the Purchaser, HC or Hanna, or, to the best of their knowledge, any of the persons or entities referred to above, or any director, executive officer or subsidiary of any of the foregoing, has effected any transaction in such equity securities during the past 60 days.

Except as a result of the Merger Agreement or as described in this Offer to Purchase, none of the Purchaser, HC or Hanna, or, to the best of their knowledge, any of the persons listed in Schedule I hereto, has any contract, arrangement, understanding or relationship with any other person with respect to any securities of the Company, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies. Except as a result of the Merger Agreement or as described in this Offer to Purchase, there have been no contacts, negotiations or transactions since November 1, 1983 between Hanna, HC or the Purchaser, or, to the best of their knowledge, any of the persons listed in Schedule I hereto, on the one hand, and the Company or its affiliates, on the other hand, concerning a merger, consolidation or acquisition, a tender offer or other acquisition of securities, an election of directors, or a sale or other transfer of a material amount of assets. Except as set forth in this Offer to Purchase, none of the Purchaser, HC, or Hanna or, to the best of their knowledge, any of the persons listed in Schedule I hereto, has since November 1, 1983 been a party to any transaction with the Company or any of its executive officers, directors or affiliates that would require disclosure under the rules and regulations of the Commission applicable to the Offer.

10. Background of the Offer; Contacts with the Company. On a few occasions between December, 1986 and May, 1987, representatives of Hanna, including PaineWebber Incorporated ("PaineWebber"), financial advisor to Hanna, contacted representatives of the Company, including Salomon Brothers Inc ("Salomon"), financial advisor to the Company, in an effort to initiate discussions concerning a possible business combination of Hanna and the Company. In one such contact on May 1, 1987, Mr. Martin D. Walker, Chairman of the Board and Chief Executive Officer of Hanna, indicated in writing that Hanna wished to discuss the possiblity of negotiating a business combination transaction in which the holders of Common Shares would receive $40 per Share in cash. In connection with such contact as well as prior contacts, Hanna and the Company were unable to agree upon the terms of a meeting to discuss a possible business combination, and Hanna was advised that, although the Company was not opposed to eventually considering a business combination and that the Company viewed Hanna as a credible potential purchaser, the Company did not believe the time was appropriate for pursuing discussions of such a transaction.

On July 7, 1987, representatives of PaineWebber met with representatives of Salomon to indicate, among other things, that (i) Hanna was prepared to propose to acquire the Company in a negotiated business combination transaction in which holders of Common Shares would receive $45 per Share in cash, (ii) although Hanna would prefer to proceed on a negotiated basis, Hanna was prepared to make its proposal directly to shareholders of the Company, (iii) under a negotiated transaction, the Company would not be precluded from considering an alternative transaction if the fiduciary obligations of the Company's Board of Directors would require that such consideration be given, (iv) Citibank, N.A. had furnished Hanna, and Hanna had paid a substantial fee for, a commitment (the "Citibank Commitment"), the terms of which

provide Hanna up to $300 million of financing for the possible business combination, and (v) Hanna beneficially owned slightly less than 5% of the outstanding Common Shares. Shortly after such meeting, on July 7, 1987, Mr. Walker telephoned Mr. Richard J. Jacob, Chairman and Chief Executive Officer of the Company, and informed him of substantially the same matters as the representatives of PaineWebber had informed representatives of Salomon earlier that day. Following several other telephone conversations among representatives of Hanna and the Company, Mr. Jacob telephoned Mr. Walker to inform him that representatives of the Company would be willing to meet on July 8, 1987 to discuss the matter, and thereafter, on July 7, 1987, the Company issued a press release stating, among other things, that it had been advised by Hanna that Hanna was prepared to propose a negotiated transaction in which shareholders of the Company would receive $45 per Common Share in cash and that the Company was studying the matter.

On July 8 and 9, 1987, Mr. Walker and other representatives of Hanna and PaineWebber met with Mr. Jacob and other representatives of the Company and Salomon to discuss the terms of a possible business combination transaction. Representatives of Hanna proceeded to prepare documentation intended to implement the transaction, which documentation was discussed with representatives of the Company.

During the meetings on July 8, 1987, Mr. Walker informed the representatives of the Company that, subject to approval by Hanna's Board of Directors, if the possible business combination transaction were completed, Hanna's management would be prepared to recommend that Mr. Jacob and Mr. David S. Gutridge (the Executive Vice President and Chief Financial Officer of the Company) be elected to Hanna's Board of Directors. Also on July 8, 1987, the Company issued a press release stating that it had scheduled a special meeting of its Board of Directors for July 9 and 10, 1987 to consider Hanna's proposal together with other alternatives, although the Company stated that there was no assurance that any transaction would result from the Board meeting.

During the evening of July 9, 1987, after the meeting of the Board of Directors of the Company had convened, Mr. Walker informed the Company in a letter dated July 9, 1987 that Hanna would be prepared to propose to increase the price paid to holders of Common Shares from $45 to $47.50 in cash per Common Share, subject to approval by Hanna's Board of Directors, acceptance by the Company's Board of Directors, definitive documentation and other standard conditions. Following the adjournment of the meeting of the Company's Board of Directors, as a result of further negotiations, Mr. Walker informed Mr. Jacob on the morning of July 10, 1987 that Hanna was prepared to increase its proposal to $48 per Common Share in cash, subject to the conditions set forth in the July 9, 1987 letter, and representatives of the Company and Hanna met to finalize the terms of the Merger Agreement. See Section 11.

Thereafter, on the same morning, the Board of Directors of the Company, by unanimous vote of those present (one director being absent), (i) based in part on the advice of Salomon that the cash consideration to be paid in the Offer and the Merger is fair from a financial point of view to the Company's shareholders (other than Hanna), determined that the Offer and the Merger are in the best interests of the Company and its shareholders, (ii) approved the Offer, the Merger Agreement and the Merger, (iii) subject to its fiduciary duties, recommended acceptance of the Offer and approval and adoption of the Merger Agreement by the shareholders of the Company, and (iv) redeemed all of the outstanding Rights. Also on July 10, 1987, the Boards of Directors of Hanna and the Purchaser approved the Offer and the Merger Agreement and the Board of Directors of the Purchaser approved the Merger, and HC approved and adopted the Merger Agreement as the sole shareholder of the Purchaser. Shortly thereafter, the Merger Agreement was executed and the Company and Hanna issued a joint press release announcing the Merger Agreement and the Offer. A copy of Salomon's opinion is attached as an Exhibit to the Company's Solicitation/Recommendation Statement on Schedule 14D-9 relating to the Offer, copies of which may be obtained from the Commission in the manner set forth in Section 8.

On July 14, 1987, the Purchaser commenced the Offer and filed a Tender Offer Statement on Schedule 14D-1 (the "Schedule 14D-1") with the Commission pursuant to Section 14(d)(1) of the Exchange Act.

11. Purpose of the Offer; the Merger Agreement. The purpose of the Offer is to facilitate the acquisition of the Company by Hanna pursuant to the Merger Agreement and to enable all shareholders of the Company to receive the cash price being offered for Shares at the earliest practicable time. The purpose of the Merger is

to acquire all then-outstanding Shares not tendered and purchased pursuant to the Offer, thereby completing the acquisition of the Company.

Effect of the Merger. The Merger Agreement provides that, subject to the terms and conditions thereof, as soon as practicable following the expiration of the Offer, the Purchaser will be merged into the Company and, subject to the prior redemption of the Preferred Shares as described below under "Certain Matters Relating to Preferred Shares," each then-outstanding Share not owned by Hanna, the Purchaser or any other direct or indirect subsidiary of Hanna (other than those Shares held in the treasury of the Company) will be cancelled and retired and be converted into a right to receive in cash an amount per Common Share or Preferred Share, as the case may be, equal to the Merger Price. In the Merger, each then-outstanding Share owned by Hanna, the Purchaser or any other direct or indirect subsidiary of Hanna will be cancelled and retired, and no payment will be made with respect thereto and each outstanding share of common stock of the Purchaser will be converted into and become a share of common stock of the Surviving Corporation, which thereafter will constitute all of the issued and outstanding shares of capital stock of the Company.

Upon the consummation of the Merger, the separate existence of the Purchaser will cease, the Company shall continue to be governed by the laws of the State of Michigan and the separate corporate existence of the Company and all of its rights, privileges, immunities and franchises, public or private, and all of its duties and liabilities as a corporation organized under the MBCA, shall continue unaffected by the Merger, and the Company's Articles and By-Laws in effect at the Effective Time will be the Articles of Incorporation and By-Laws of the Surviving Corporation, until duly amended in accordance with their terms and the MBCA. Similarly, the directors of the Purchaser immediately prior to the Effective Time will be the directors of the Surviving Corporation and the officers of the Company at the Effective Time will be the officers of the Surviving Corporation, from and after the Effective Time, until their successors have been duly elected or appointed or until their earlier death, resignation or removal in accordance with the Surviving Corporation's Articles of Incorporation and By-Laws and the MBCA.

Certain Matters Relating to Preferred Shares. Pursuant to the Merger Agreement, the Company may, and if requested by the Purchaser after the consummation of the Offer shall, redeem the then-outstanding Preferred Shares and cause payment to be made to the holders thereof in accordance with the terms of the Preferred Shares and all applicable laws prior to the Record Date, or if no meeting of shareholders to consider and vote upon the approval of the Merger is required, the Effective Time, with the result that, when such Preferred Shares are redeemed, the only shares of capital stock of the Company issued and outstanding immediately prior to the Record Date or the Effective Time, as the case may be, will be Common Shares.

Holders of Preferred Shares who do not tender their Preferred Shares pursuant to the Offer will be subject to having their Preferred Shares redeemed, as described in the preceding paragraph. The Preferred Share Redemption Price is substantially less than the $258.72 per Preferred Share which holders of Preferred Shares will receive if they tender their Preferred Shares pursuant to the Offer or convert their Preferred Shares into Common Shares prior to the Merger. Holders of Preferred Shares should decide for themselves whether to continue to hold such Shares, to tender such Shares into the Offer, to convert such Shares into Common Shares or otherwise to sell such Shares. Assuming completion of the Offer, to receive a price per Preferred Share equal to that offered pursuant to the Offer, holders of Preferred Shares may have to tender their Preferred Shares into the Offer or convert their Preferred Shares into Common Shares. According to the Company's Articles, such conversion must be effected not later than the close of business on the fifteenth full business day prior to the date fixed for redemption, or such later time as may be fixed by the Company's Board of Directors. Accordingly, holders of Preferred Shares who fail to tender their Preferred Shares, and whose Preferred Shares are called for redemption by the Company, will have a limited opportunity, pursuant to the terms of the Preferred Shares described in the preceding sentence, to convert such Preferred Shares into Common Shares and receive the Merger Price for such Common Shares in the Merger. Based upon the presently applicable conversion ratio of 5.39 Common Shares for one Preferred Share, the Merger Price for the number of Common Shares into which each Preferred Share may be converted would be equal to the price offered for each Preferred Share pursuant to the Offer.

Conduct of Business. The Company has agreed that, during the period from the date of the Merger Agreement to the time that the designees of Hanna shall have been elected to, and constitute a majority of,

to acquire all then-outstanding Shares not tendered and purchased pursuant to the Offer, thereby completing the acquisition of the Company.

Effect of the Merger. The Merger Agreement provides that, subject to the terms and conditions thereof, as soon as practicable following the expiration of the Offer, the Purchaser will be merged into the Company and, subject to the prior redemption of the Preferred Shares as described below under "Certain Matters Relating to Preferred Shares," each then-outstanding Share not owned by Hanna, the Purchaser or any other direct or indirect subsidiary of Hanna (other than those Shares held in the treasury of the Company) will be cancelled and retired and be converted into a right to receive in cash an amount per Common Share or Preferred Share, as the case may be, equal to the Merger Price. In the Merger, each then-outstanding Share owned by Hanna, the Purchaser or any other direct or indirect subsidiary of Hanna will be cancelled and retired, and no payment will be made with respect thereto and each outstanding share of common stock of the Purchaser will be converted into and become a share of common stock of the Surviving Corporation, which thereafter will constitute all of the issued and outstanding shares of capital stock of the Company.

Upon the consummation of the Merger, the separate existence of the Purchaser will cease, the Company shall continue to be governed by the laws of the State of Michigan and the separate corporate existence of the Company and all of its rights, privileges, immunities and franchises, public or private, and all of its duties and liabilities as a corporation organized under the MBCA, shall continue unaffected by the Merger, and the Company's Articles and By-Laws in effect at the Effective Time will be the Articles of Incorporation and By-Laws of the Surviving Corporation, until duly amended in accordance with their terms and the MBCA. Similarly, the directors of the Purchaser immediately prior to the Effective Time will be the directors of the Surviving Corporation and the officers of the Company at the Effective Time will be the officers of the Surviving Corporation, from and after the Effective Time, until their successors have been duly elected or appointed or until their earlier death, resignation or removal in accordance with the Surviving Corporation's Articles of Incorporation and By-Laws and the MBCA.

Certain Matters Relating to Preferred Shares. Pursuant to the Merger Agreement, the Company may, and if requested by the Purchaser after the consummation of the Offer shall, redeem the then-outstanding Preferred Shares and cause payment to be made to the holders thereof in accordance with the terms of the Preferred Shares and all applicable laws prior to the Record Date, or if no meeting of shareholders to consider and vote upon the approval of the Merger is required, the Effective Time, with the result that, when such Preferred Shares are redeemed, the only shares of capital stock of the Company issued and outstanding immediately prior to the Record Date or the Effective Time, as the case may be, will be Common Shares.

Holders of Preferred Shares who do not tender their Preferred Shares pursuant to the Offer will be subject to having their Preferred Shares redeemed, as described in the preceding paragraph. The Preferred Share Redemption Price is substantially less than the $258.72 per Preferred Share which holders of Preferred Shares will receive if they tender their Preferred Shares pursuant to the Offer or convert their Preferred Shares into Common Shares prior to the Merger. Holders of Preferred Shares should decide for themselves whether to continue to hold such Shares, to tender such Shares into the Offer, to convert such Shares into Common Shares or otherwise to sell such Shares. Assuming completion of the Offer, to receive a price per Preferred Share equal to that offered pursuant to the Offer, holders of Preferred Shares may have to tender their Preferred Shares into the Offer or convert their Preferred Shares into Common Shares. According to the Company's Articles, such conversion must be effected not later than the close of business on the fifteenth full business day prior to the date fixed for redemption, or such later time as may be fixed by the Company's Board of Directors. Accordingly, holders of Preferred Shares who fail to tender their Preferred Shares, and whose Preferred Shares are called for redemption by the Company, will have a limited opportunity, pursuant to the terms of the Preferred Shares described in the preceding sentence, to convert such Preferred Shares into Common Shares and receive the Merger Price for such Common Shares in the Merger. Based upon the presently applicable conversion ratio of 5.39 Common Shares for one Preferred Share, the Merger Price for the number of Common Shares into which each Preferred Share may be converted would be equal to the price offered for each Preferred Share pursuant to the Offer.

Conduct of Business. The Company has agreed that, during the period from the date of the Merger Agreement to the time that the designees of Hanna shall have been elected to, and constitute a majority of,

the Board of Directors of the Company pursuant to the terms of the Merger Agreement, except as specifically contemplated by or as set forth in the Merger Agreement, or as otherwise approved in writing by the Purchaser, it (i) will, and will cause each of its subsidiaries to, conduct their respective businesses only in, and not take any action except in, the ordinary and usual course of business and consistent with past practice, provided that, notwithstanding the foregoing, the Company may incur certain reasonable and customary costs, expenses, obligations or liabilities in connection with any other offer to acquire Shares or assets of the Company, and the Company will use reasonable efforts to preserve intact the business organization of the Company and each of its subsidiaries, to keep available the services of its and their present officers and key employees, and to preserve the good will of those having business relationships with it or its subsidiaries, (ii) will not and will not permit any of its subsidiaries to make or propose any change or amendment to their respective articles of incorporation or by-laws (or comparable governing instruments), (iii) will not, and will not permit any of its subsidiaries to, issue or sell any shares of capital stock or any other securities of any of them (other than pursuant to the Options or the outstanding Preferred Shares) or issue any securities convertible into or exchangeable for, or options, warrants to purchase, script, rights to subscribe for, calls or commitments of any character whatsoever relating to, or enter into any contract, understanding or arrangement with respect to the issuance of, any shares of capital stock or any other securities of any of them (other than pursuant to the Options or the Preferred Shares) or (except as otherwise contemplated in the Merger Agreement) enter into any arrangement or contract with respect to the purchase or voting of shares of their capital stock, or adjust, split, combine or reclassify any of their capital stock or other securities, or make any other changes in their capital structures, (iv) except as otherwise contemplated in the Merger Agreement, will not, and will not permit any of its subsidiaries to, declare, set aside, pay or make any dividend or other distribution or payment (whether in cash, stock or property) with respect to, or purchase or redeem, any shares of the capital stock of any of them other than (a) regular quarterly cash dividends of $.125 per Common Share, (b) regular quarterly dividends on Preferred Shares, (c) dividends paid by its subsidiaries to the Company with respect to their capital stock, and (d) the redemption of the Rights in accordance with the Rights Agreement, (v) except as otherwise contemplated by the Merger Agreement, will not, and will not permit any of its subsidiaries to, adopt or amend any bonus, profit sharing, compensation, severance, termination, stock option, pension, retirement, deferred compensation, employment or other employee benefit agreements, trusts, plans, funds or other arrangements for the benefit or welfare of any director, officer or employee, or (except for normal increases in the ordinary course of business that are consistent with past practices and that, in the aggregate, do not result in a material increase in benefits or compensation expense to the Company or pursuant to collective bargaining agreements as presently in effect) increase in any manner the compensation or fringe benefits of any director, officer or employee or pay any benefit not required by any existing plan or arrangement (including, without limitation, the granting of stock options or stock appreciation rights) or take any action or grant any benefit not expressly required under the terms of any existing agreements, trusts, plans, funds or other such arrangements or enter into any contract, agreement, commitment or arrangement to do any of the foregoing, and (vi) and its subsidiaries will not, except in the ordinary course of business, (a) incur or assume any indebtedness or (b) make any loans, advances or capital contributions to, or investments (other than intercompany accounts and short-term investments pursuant to customary cash management systems of the Company in the ordinary course and consistent with past practices) in, any other person other than such of the foregoing as are made by the Company to or in a wholly owned subsidiary of the Company.

Representations and Warranties. The Merger Agreement also contains various representations and warranties of the parties thereto, including representations and warranties by the Company with respect to (i) the Company's corporate organization, (ii) the Company's capitalization, (iii) the Company's authority to enter into and consummate the Merger Agreement, (iv) consents and approvals for the Merger Agreement and the Merger and the absence of violations of various instruments and agreements, (v) the Company's filings with the Commission and financial statements, (vi) absences of material adverse changes and other certain events involving the Company since April 30, 1987, (vii) fees payable by the Company in connection with the transactions contemplated by the Merger Agreement, (viii) the accuracy of information furnished expressly by the Company for inclusion in this Offer to Purchase and certain related documentation, as well as in the Schedule 14D-9 being furnished to holders of Shares by the Company and the proxy materials to be

furnished in connection with the shareholders meeting (if required) to consider and vote upon the adoption of the Merger Agreement, and (ix) the redemption of the Rights.

Directorships. The Merger Agreement provides that upon the Purchaser's acquisition of a majority of the outstanding Common Shares pursuant to the Offer or otherwise, and from time to time thereafter so long as Hanna and/or any of its direct or indirect wholly owned subsidiaries (including the Purchaser) owns a majority of the outstanding Common Shares, Hanna will be entitled, subject to compliance with applicable law, to designate at its option up to that number of directors, rounded up to the nearest whole number, of the Company's Board of Directors as will make the percentage of the Company's directors designated by Hanna equal to the percentage of outstanding Common Shares held by Hanna and any of its direct or indirect wholly owned subsidiaries (including the Purchaser). The Merger Agreement also provides that the Company will, upon the request of Hanna, promptly increase the size of its Board of Directors and/or use its best efforts to secure the resignation of such number of directors as is necessary to enable Hanna's designees to be elected to the Company's Board of Directors and to use its best efforts to cause Hanna's designees to be so elected, subject in all cases to Section 14(f) of the Exchange Act, it being understood that the Company shall have no obligation to comply with Section 14(f) until after the Offer is completed and that the Company agrees to comply with such Section as promptly as practicable thereafter, provided that prior to the Effective Time, the Company will use its best efforts to assure that the Company's Board of Directors will always have (at its election) at least three members who are directors of the Company as of the date of the Merger Agreement.

Certain Employee Benefit Matters. Pursuant to the Merger Agreement, immediately prior to the Effective Time, each Option which is not then exercisable or vested will become fully exercisable and vested, and each such Option and all other Options will be cancelled in exchange for a payment by the Surviving Corporation on the earlier of the holder's termination of employment with the Surviving Corporation or January 15, 1988, in each case equal to the product of (i) the total number of Common Shares subject to such Option and (ii) the excess of the Merger Price over the exercise price per Common Share subject to such Option. Similarly, immediately prior to the Effective Time, each Common Share which has been awarded to employees pursuant to the Company's Executive Incentive Plan ("EIP") which was, as of the date of the Merger Agreement, subject to restrictions under the EIP will be cancelled in exchange for an amount equal to the Merger Price, and each book value unit which has been granted under the EIP will be cancelled immediately prior to the Merger in exchange for $10 in cash, payable by the Surviving Corporation in each case on the earlier of termination of employment with the Surviving Corporation of such holder of such units or restricted shares, as the case may be, or January 15, 1988.

Pursuant to the Merger Agreement, the Purchaser has agreed that the Company will honor and, on and after the Effective Time, the Purchaser will cause the Surviving Corporation to honor, all existing employment, severance, termination, consulting and retirement agreements to which the Company or any of its subsidiaries was a party as of July 10, 1987 (collectively, the "Benefit Agreements"). The Purchaser has agreed that the Company will make and, on and after the Effective Time, the Purchaser will cause the Surviving Corporation to make, (i) to each officer and employee of the Company who so elects (such election to be made in writing any time within six months after the time payments first become due under their employment contracts), a lump sum payment, based upon the net present value (using an 8% annual discount rate, except for retirement benefits under nonqualified retirement plans, as to which a 9% annual discount rate will apply) of all employment, severance and retirement benefits to which such officers and employees are otherwise entitled under the Benefit Agreements (other than retirement benefits under qualified retirement plans), provided, however, except as expressly provided otherwise in the Merger Agreement, that such lump-sum payments will be made only to officers and employees who otherwise are entitled to periodic or deferred payments under the Benefit Agreements, and (ii) to each non-employee director of the Company, a lump sum payment, based upon the net present value (using a 9% annual discount rate) of the retirement benefits to which he or she is otherwise entitled under the Company's retirement program for non-employee directors.

In the Merger Agreement, the Purchaser expressed its present intention to cause the Company to take such actions as are necessary so that, for not less than two years after the Effective Time, employees of the Company and its subsidiaries (other than employees having certain rights under the Benefit Agreements) will be provided, subject to certain limitations, employee benefit and incentive compensation and similar plans and

programs as will provide compensation and benefits which in the aggregate are not materially less favorable than those provided to such employees as of the date of the Merger Agreement. However, the Merger Agreement also provides that such Agreement is not intended to, and shall not confer on any such employee any rights or remedies.

In accordance with the Merger Agreement, for six years after the Effective Time, Hanna will cause the Surviving Corporation to indemnify, defend and hold harmless the present and former officers, directors, employees and agents of the Company and its subsidiaries after the Effective Time against all losses, claims, damages or liabilities arising out of actions or omissions occurring on, prior to or after the Effective Time to the full extent provided under Michigan law and the Company's By-Laws in effect at the date of the Merger Agreement. In addition, the Surviving Corporation will, subject to certain limitations, use its best efforts to maintain the Company's existing officers' and directors' liability insurance (or a substitute policy) in full force and effect without reduction of coverage for a period of three years after the Effective Time, provided however, that the Surviving Corporation shall not be required to pay an annual premium therefor in excess of two times the last annual premium paid prior to the date of the Merger Agreement (the "Current Premium"), and, provided further, however, that if the existing officers' and directors' liability insurance expires, is terminated or cancelled during such three year period, the Surviving Corporation will use its best efforts to obtain as much of such insurance as can be obtained for the remainder of such period for a premium on an annualized basis not in excess of two times the Current Premium.

Proposals by Others. Pursuant to the Merger Agreement, the Company has agreed that neither it nor any of its subsidiaries will, directly or indirectly, and will instruct and otherwise use its best efforts to cause their respective officers, directors, employees, agents or advisors or other representatives or consultants not to, solicit or initiate any proposals or offers from any person relating to any acquisition or purchase of all or a material amount of the assets of, or any securities of, or any merger, consolidation or business combination with, the Company or any of its subsidiaries. Notwithstanding the foregoing, however, the Company may furnish information concerning its business, properties or assets to a corporation, partnership, person or other entity or group other than Hanna and the Purchaser or an affiliate or associate of Hanna and the Purchaser, and may negotiate with such entity or group, if Wachtell, Lipton, Rosen & Katz, special counsel to the Company, advises the Company's Board of Directors that, in the opinion of such firm, the failure to furnish such information or negotiate with such entity or group could subject the Company's directors to liability for breach of fiduciary duties. The Company has further agreed to (i) promptly notify Hanna in the event of any proposal or offer of the type referred to in the first sentence of this paragraph or of any decision to furnish information or negotiate with respect thereto and (ii) promptly furnish Hanna copies of all written information furnished to any corporation, partnership, person or other entity or group to the extent not previously furnished to Hanna. See "Termination" below in this Section 11 with respect to certain rights of the Purchaser and Hanna, on the one hand, or the Company, on the other hand, if the Board of Directors of the Company determines that it will not recommend acceptance of the Offer and approval of the Merger by the Company's shareholders (or if such recommendation is withdrawn) and the Company shall have recommended another offer to the Company's shareholders, and see Section 13 with respect to certain conditions upon the Purchaser's obligation to purchase any Shares in the event of such determination or withdrawal or if the Board of Directors of the Company amends in certain respects its recommendation and approval of the Offer and the Merger.

Conditions to the Merger. The obligations of Hanna, the Purchaser and the Company to consummate the Merger are subject to the satisfaction, at or before the Effective Time, of each of the following conditions, as applicable thereto: (i) the shareholders of the Company shall have duly approved the Merger and adopted the Merger Agreement, if required by applicable law, (ii) the Purchaser shall have accepted for payment and purchased Shares pursuant to the Offer, (iii) the consummation of the Merger shall not be precluded by any order, injunction, decree or ruling of a court of competent jurisdiction or any domestic governmental, regulatory or administrative agency or instrumentality (each party agreeing to use its best efforts to rectify any such occurrence), and there shall not have been any action taken or any statute, rule or regulation enacted, promulgated or deemed applicable to the Merger by any government or governmental agency, domestic or foreign, which would prevent the consummation of the Merger, and (iv) any applicable waiting period under the HSR Act shall have expired or been terminated. The obligations of Hanna and the Purchaser to consummate the Merger will be subject to the satisfaction at or prior to the Effective Time of the additional

condition that the Company shall have satisfied and complied with in all material respects each of the covenants of the Company contained in the Merger Agreement from the time the Purchaser accepts Shares for payment pursuant to the Offer up to and including such time as designees of Hanna shall have been elected to, and shall constitute a majority of, the Board of Directors of the Company pursuant to the Merger Agreement.

Waivers. Subject to applicable provisions of the MBCA, any provision of the Merger Agreement may be waived at any time by the party which is, or whose shareholders are, entitled to the benefits thereof, and the Merger Agreement may be amended or supplemented at any time, provided that no amendment may be made after any shareholder approval of the Merger that reduces the Merger Price without further shareholder approval, and provided further that any action by the Company to waive or amend any provision of the Merger Agreement will require the approval of a majority of the directors of the Company then in office who were directors of the Company on the date of the Merger Agreement, or persons nominated or elected to succeed such directors by a majority of such directors (the "Continuing Directors").

Termination. The Merger Agreement may be terminated and the Merger may be abandoned (i) by the mutual consent of the Boards of Directors of Hanna, the Purchaser and the Company, (ii) by Hanna and the Purchaser, on the one hand, or the Company, on the other hand, if the Offer shall expire or have been terminated or withdrawn without any Shares being purchased thereunder or it shall be terminated or it shall not have been commenced by the close of business on July 15, 1987, or if the Purchaser shall not have purchased Shares validly tendered and not withdrawn pursuant to the Offer within 60 days after commencement of the Offer, provided, however, that the party seeking to terminate the Merger Agreement as described in this clause (ii) shall not be in breach of the Merger Agreement, (iii) by the Company, if Hanna or the Purchaser materially breaches any of the representations and warranties or covenants contained in the Merger Agreement, (iv) by either Hanna and the Purchaser, on the one hand, or the Company, on the other hand, if the Merger has not been consummated prior to December 31, 1987, provided, however, that the right to terminate described in this clause (iv) will not be available to any party whose failure to fulfill any obligation under the Merger Agreement is the cause of, or results in, the failure of the Effective Time to occur on or before such date, (v) by either Hanna and the Purchaser, on the one hand, or the Company, on the other hand, if either one (or any permitted assignee under the Merger Agreement) is precluded by an order or injunction (other than an order or injunction issued on a preliminary basis) of a court of competent jurisdiction from consummating the Merger and all means of appeal and all appeals from such order or injunction shall have been finally exhausted, and (vi) by either Hanna and the Purchaser, on the one hand, or the Company, on the other hand, if the Board of Directors of the Company determines that it will not recommend acceptance of the Offer and approval of the Merger by the Company's shareholders (or if such recommendation is withdrawn) and shall have recommended another offer to the Company's shareholders. Any action by the Company to terminate the Merger Agreement as described in this paragraph would require only the approval of a majority of the Continuing Directors.

Expenses. The Merger Agreement provides that, whether or not the Offer or the Merger is consummated, all costs and expenses incurred in connection with the Offer, the Merger Agreement and the transactions contemplated thereby shall be paid by the party incurring such expenses, provided, however, that in the event of a termination of the Merger Agreement by either Hanna and the Purchaser or the Company because the Company's Board of Directors determines that it will not recommend acceptance of the Offer and approval of the Merger by the Company's shareholders (or if such recommendation is withdrawn) and shall have recommended another offer to the Company's shareholders, (i) the Company shall promptly (following the submission of reasonable substantiating documentation if requested by the Company) reimburse Hanna and the Purchaser for up to $6 million of their reasonable out-of-pocket costs and expenses actually incurred by the Purchaser or Hanna in connection with the Offer, the Merger and the transactions contemplated by the Merger Agreement, including, without limitation, the fees and expenses of the financial advisors and counsel to Hanna, the Purchaser and the financial advisors and all fees and expenses incurred by Hanna or the Purchaser to obtain financing commitments for the Offer and the Merger, including, without limitation, the commitment fees payable to Citibank pursuant to the Citibank Commitment and (ii) Hanna and the Purchaser shall not, and shall cause the subsidiaries and affiliates controlled by them not to, acquire Shares

other than pursuant to the Offer or the Merger for a period of one year after termination of the Merger Agreement without the prior approval of the Board of Directors of the Company.

Certain Approvals. The Merger was approved by the respective Boards of Directors of the Purchaser, Hanna and the Company on July 10, 1987. Pursuant to the Merger Agreement, the Company will take all action necessary in accordance with applicable law and the Company's Articles and By-Laws to convene a meeting of its shareholders promptly after the purchase of Shares pursuant to the Offer to consider and vote upon the approval of the Merger, if such shareholder approval is required by applicable law.

As a result of the approval of the Merger by the Company's Board of Directors, pursuant to the applicable provisions of the MBCA and the Company's Articles, the only shareholder approval that may be required with respect to the Merger is the affirmative vote of the holders of a majority of each class of the Shares outstanding at the Record Date, if any such approval by shareholders is required. If the Minimum Share Condition is satisfied and, after the consummation of the Offer, the Company redeems all of the then-outstanding Preferred Shares, the Purchaser will have sufficient voting power to approve the Merger without the vote of any other shareholders of the Company. In addition, under Michigan law, if the Purchaser owns 90% or more of the Common Shares outstanding on a fully diluted basis, the Purchaser, and the Company redeems all of the then-outstanding Preferred Shares (or if the Purchaser owns 90% or more of the then-outstanding Preferred Shares after consummation of the Offer), the Purchaser could cause the Merger to be effected without a shareholder meeting and without the vote or consent of any other shareholders of the Company.

If the Company's Board of Directors were to withdraw or amend its approval of the Merger, it is possible that certain provisions of the Company's Articles and/or the MBCA would require that the Merger be approved by the holders of both (a) not less than 80% of each class of Shares then-outstanding and (b) not less than two-thirds of each class of Shares then-outstanding, excluding the Purchaser and its affiliates and associates. If such recommendation is withdrawn by the Company's Board of Directors and such Board shall have recommended another offer to Company's shareholders, the Merger Agreement may be terminated pursuant to its terms by either Hanna and the Purchaser, on the one hand, or the Company on the other hand. In addition, if such recommendation is withdrawn by the Company's Board of Directors, regardless of whether such Board shall have recommended another offer to the Company's shareholders, the Purchaser would not be required to accept for payment, purchase or pay for any Shares tendered and may postpone the acceptance for payment, the purchase of, and/or payment for Shares, and/or may amend (subject to the terms of the Merger Agreement) or terminate the Offer. See Section 13.

The Merger has been approved by HC, as the sole shareholder of the Purchaser. No approval of the Merger by the shareholders of Hanna is required under applicable law.

Certain Rights of Shareholders. The Purchaser and Hanna believe that shareholders will not have the right under the MBCA to dissent and demand appraisal of their Shares as a result of the Merger because, among other things, pursuant to the Merger Agreement all holders of Shares will receive cash for their Shares in the Merger. If it were ultimately determined that rights to dissent and demand appraisal were available to holders of Shares that were not purchased pursuant to the Offer, dissenting shareholders who complied with the statutory procedures would be entitled to receive a judicial determination and payment of the "fair value" of their stock. Any such judicial determination of the value of such stock could be based upon considerations other than or in addition to the price paid for Shares pursuant to the Offer and the market value of the stock. The value so determined could be more or less than the consideration per Share paid pursuant to the Offer or the consideration per Share paid pursuant to the Merger.

Other Matters Relating to the Merger. In addition to the foregoing, the Merger will have to comply with other applicable procedural and substantive requirements of Michigan law, which may include duties to minority shareholders imposed upon a majority shareholder, as well as any applicable federal law operative at the time. Several recent court decisions have held that, in certain instances, a controlling shareholder of a corporation involved in a merger has a fiduciary duty to the other shareholders that requires the merger to be fair to such other shareholders. In determining whether a merger is fair to minority shareholders, courts have considered, among other things, the type and amount of consideration to be received by the shareholders and whether there was fair dealing among the parties. The Delaware Supreme Court indicated in *Weinberger v.*

UOP, Inc. and *Rabkin v. Philip A. Hunt Chemical Corp.* that in most cases the remedy available in a merger that is found not to be "fair" to minority shareholders is a right to appraisal where otherwise available under state law or a damages remedy based on essentially the same principles. Courts applying Michigan law could apply such principles to the Merger.

A copy of the Merger Agreement has been filed as an Exhibit to the Schedule 14D-1 filed by the Purchaser with the Commission and may be examined at, and copies may be obtained from, the Commission (but not the regional offices of the Commission) in the manner set forth in Section 8 with respect to information concerning the Company. The foregoing description of the Merger Agreement is qualified in its entirety by reference to the Merger Agreement as so filed.

Other Plans and Proposals. Upon the completion of the Offer, the Purchaser intends to conduct a detailed review of the Company and its businesses, assets, corporate structure, dividend policy, capitalization, operations, properties, policies, the Company's Articles, By-Laws, Board of Directors, management and personnel and consider what, if any, changes would be desirable in light of the circumstances that then exist. Although the Purchaser and Hanna have analyzed, based on limited information, the effect of potential sales of various of the Company's businesses, no final determination as to the sale of any particular business of the Company has been made by the Purchaser or Hanna. However, the Purchaser and Hanna presently believe that, if the Merger is consummated, they would seek to cause the Company or its successor to consummate (if not previously consummated) the dispositions previously announced by the Company of the Company's Allen Industries Division and certain assets of the Company's L.E. Carpenter unit (as well as any remaining assets of the L.E. Carpenter unit), provided that such dispositions could be consummated on terms acceptable to the Purchaser and Hanna.

Except as a result of the Merger Agreement or as set forth in this Offer to Purchase, the Purchaser has no present plans or proposals that would result in an extraordinary corporate transaction, such as a merger, reorganization, liquidation, relocation of operations, or sale or transfer of assets, involving the Company or any of its subsidiaries, or any material changes in the Company's corporate structure, business or composition of its management or personnel.

12. **Source and Amount of Funds.**

General. As of the date hereof, the Purchaser owns 344,800 Common Shares, which shares were purchased at an aggregate price of approximately $11,013,938 (excluding commissions). The funds used by the Purchaser for its purchases of Common Shares were provided by indirect contributions from Hanna to the capital of the Purchaser, which capital contributions were funded out of Hanna's working capital. The total amount of additional funds required by the Purchaser and Hanna to purchase all Shares that may be tendered pursuant to the Offer, consummate the Merger and pay related fees and expenses is estimated to be approximately $338.4 million, which amount is expected to be provided out of a combination of Hanna's working capital and the bank credit facility described below.

Citibank Commitment. On July 3, 1987, Hanna accepted the Citibank Commitment. Pursuant to the Citibank Commitment, Citibank confirmed its willingness to provide bank financing to Hanna in an amount up to $300 million (the "Total Facility"). The Total Facility is composed of three credit facilities: a term facility of $150 million (the "A Loan"), a bridge facility of $75 million (the "B Loan"), and an additional bridge facility of $75 million (the "C Loan"). Amounts borrowed pursuant to the Total Facility must be drawn down, first, under the A Loan; second, under the B Loan; and third, under the C Loan. Although the Citibank Commitment provides that Citibank would agree to provide up to 100% of the Total Facility, Citibank has indicated its intention to syndicate a portion of the Total Facility to other banks acceptable to Hanna and Citibank (together with Citibank, the "Banks"), with Citibank providing the remainder of the Total Facility.

Pursuant to the terms of the Citibank Commitment, the A Loan will be required to be repaid in nine semiannual installments of principal, commencing June 30, 1988 (the first eight of which will be in the amount of $10 million, and the ninth of which will be in the amount of $70 million); the B Loan will be required to be repaid by a single principal payment due 18 months after the initial drawdown of any portion of

the Facility; and the C Loan will be required to be repaid in a single principal payment due on the date of the earlier to occur of (i) nine months after the initial drawdown under any portion of the Facility and (ii) six months after the initial drawdown under the C Loan.

The rate of interest to be paid under the Facility will, at Hanna's option to be made at the time of each advance and at the end of each interest period therefor, be any of the following: (i) 1.0% per annum, 1.75% per annum and 2.25% per annum, for the A Loan, the B Loan and the C Loan, respectively, over the London Inter-bank Offered Rate ("LIBOR") for one-, two- or three-month U.S. Dollar deposits, adjusted for Federal Reserve Board Regulation D ("Regulation D") reserve requirements, (ii) 1.25% per annum, 2.0% per annum and 2.5% per annum, for the A Loan, the B Loan and the C Loan, respectively, over the 30-, 60- or 90-day certificate of deposit rate, adjusted for Regulation D reserve requirements and estimated Federal Deposit Insurance Corporation ("FDIC") assessments, or (iii) 0% per annum, 0.75% per annum or 1.25% per annum, for the A Loan, the B Loan and the C Loan, respectively, over Citibank's "Alternative Base Rate" (as defined) for any number of days up to 30 days or during one-, two- or three-month periods. Citibank's "Alternate Base Rate" is a fluctuating interest rate equal to the higher from time to time of (a) the rate of interest announced publicly by Citibank in New York as its base rate and (b) ½ of 1% per annum above the latest three-week moving average of secondary market morning offering rates for three-month certificates of deposit of major U.S. money center banks, as determined weekly by Citibank and adjusted for Regulation D reserve requirements and estimated FDIC assessments.

Each advance under the Total Facility will mature at the end of its interest period and, subject to certain terms and conditions, the amount of each advance under the Total Facility may be reborrowed for additional interest periods. Amounts borrowed under the Total Facility and prepaid may not be reborrowed.

The availability of funds under the Total Facility will expire on December 31, 1987. Accordingly, if the Purchaser is unable to consummate the Offer and/or the Merger by that date, the Purchaser may be required to seek an extension of the Citibank Commitment or to seek alternative financing. There can be no assurance that the Purchaser and Hanna would be successful in obtaining such an extension or alternative financing.

Security. All advances made under the Total Facility will be secured by a pledge by Hanna of all of the capital stock (including capital stock of any successor) beneficially owned by it of (i) the Purchaser, (ii) Burton Rubber, (iii) Iron Ore Company of Canada, (iv) Hanna Holdings, and (v) HC (collectively, the "Pledged Stock").

Representations and Warranties. Pursuant to the terms of the Citibank Commitment, Hanna will be required to make customary representations and warranties, including, without limitation, representations and warranties with respect to (i) the corporate status and authority of Hanna, (ii) the legality of the execution, delivery and performance of the credit agreement(s) to be entered into in connection with the Total Facility, (iii) the absence of any litigation which may have a material adverse effect on the condition, operations, properties or prospects of Hanna, (iv) the absence of any material adverse change since Hanna's March 31, 1987 Financial Statements in the condition, operations or properties of the Purchaser, Hanna and certain entities and ventures owned by Hanna or in which Hanna has a substantial equity interest, (v) compliance in all material respects with the Employment Retirement Income Security Act of 1974, as amended ("ERISA"), (vi) government or regulatory approvals, (vii) the accuracy of information provided by Hanna in connection with the Total Facility, (viii) the absence of indebtedness of HC and Hanna Holdings, and (ix) the legality, validity, binding effect and enforceability of the credit agreement(s) to be entered into in connection with the Total Facility, and the pledge of the Pledged Stock.

Covenants. Pursuant to the terms of the Citibank Commitment, Hanna will be required to agree to standard affirmative and negative covenants for financings of this type and other covenants with respect to certain matters, including, without limitation, the following: (i) the maintenance of certain financial ratios, (ii) the maintenance of ownership of the Pledged Stock and certain other assets, (iii) the application of the proceeds of any equity offering, (iv) the creation of liens, (v) mergers, consolidations and asset dispositions, (vi) extensions of credit, (vii) certain investments, and (viii) dividend declarations and other distributions.

Conditions. Citibank's obligations under the Citibank Commitment are conditioned on the execution and delivery of definitive loan documentation and the absence of any material adverse change in the financial condition or operations of Hanna and the satisfaction of other conditions, including, without limitation, (i) capitalization of the Purchaser in an amount which has been agreed upon by Hanna and Citibank (which is anticipated to be $60 million, and will be provided from Hanna's working capital), and the use of such capital to purchase Shares and to pay certain related fees and expenses, (ii) the receipt by the Banks of legal opinions in form and substance satisfactory to the Banks, (iii) the delivery by Hanna of certificates representing the Pledged Stock, (iv) the expiration of any applicable HSR Act waiting period, (v) the redemption of the Rights, (vi) the accuracy of the representations and warranties of Hanna to be contained in the loan documentation as of the date of any borrowing under the Total Facility, (vii) the absence of the occurrence and continuance of any event of default provided for in the loan documentation, (viii) the Offer being made for all outstanding Common Shares, (ix) the absence of any court or governmental order having the effect of either (a) restricting the right of Hanna or any of its affiliates to vote, hold, dispose of or otherwise exercise rights of ownership of Common Shares or manage the Company's or Hanna's activities or (b) requiring Hanna or any of its affiliates to dispose of or hold separately any Common Shares or all or any portion of the business or assets of the Company or Hanna (or their respective subsidiaries or affiliates) which are material to the business or operation of the Company or Hanna, and (x) the absence of any material adverse change in the condition, operations or properties of the Company and its subsidiaries, the Purchaser, Hanna and certain entities and ventures owned by Hanna or in which Hanna has a substantial equity interest.

Certain of the conditions to the Citibank Commitment are not within the control of the Purchaser or Hanna. The conditions to the Purchaser's obligations under the Offer are not identical to the conditions to the Citibank Commitment. If any of the conditions to the Citibank Commitment are not satisfied or waived (or if Citibank and Hanna fail to execute and deliver definitive loan documentation), the Purchaser may be required to seek to negotiate modifications of the Citibank Commitment or to seek alternative financing. In such event, there can be no assurance that the Purchaser and Hanna would be successful in obtaining such modifications or alternative financing and thereby obtain the funds necessary to consummate the Offer or the Merger. While the Offer is not contingent upon financing, depending upon the circumstances giving rise thereto, a failure to satisfy certain of the conditions to the Citibank Financing may also constitute (but will not necessarily also constitute) a failure to satisfy one or more of the conditions of this Offer, in which event the Purchaser may not be obligated to purchase any Shares pursuant to the Offer. See Section 13.

Fees. Upon its acceptance of the Commitment Letter, Hanna paid to Citibank a nonrefundable arrangement fee in an amount equal to $3 million and agreed to pay upon the initial drawdown under the Total Facility an additional nonrefundable fee equal to the greater of $2 million or 1% of the maximum amount available under the Total Facility. If, prior to the later of June 30, 1989 or the expiration of Citibank's commitment, Hanna or any of its affiliates otherwise incurs indebtedness directly or indirectly for the purpose or in anticipation of purchasing Shares and Hanna has not paid the fee referred to in clause (ii) above, then Hanna has agreed to pay to Citibank an additional nonrefundable fee of $2 million upon the date on which such indebtedness is incurred in lieu of the payment due upon the initial drawdown under the Total Facility (except that such amount shall not be payable in the event all conditions to borrowing under the Total Facility have been met, Hanna has requested a borrowing and Citibank fails to make the advances requested thereunder). Hanna also has agreed to (i) pay Citibank a nonrefundable fee of 0.5% per annum, payable quarterly in arrears, commencing September 30, 1987 on the average daily unused portion of the Total Facility until the termination of Citibank's commitment, (ii) reimburse Citibank for its reasonable costs and expenses in connection with its commitment, and (iii) indemnify Citibank and its affiliates against certain losses, liabilities and expenses. In addition, Hanna has agreed to pay to Citibank an agency fee in the amount of $100,000 per annum, payable quarterly in arrears.

The foregoing description of the Citibank Commitment and the Total Facility does not purport to be complete. Such description is based upon and qualified in its entirety by reference to the Commitment Letter filed as an Exhibit to the Purchaser's Schedule 14D-1, which may be obtained in the manner specified in Section 8 with respect to information concerning the Company. When definitive loan documentation relating to the Total Facility has been entered into, copies of such documentation will be filed with the Commission by amendments to the Schedule 14D-1.

Repayment of Borrowings. Hanna presently intends to fund the repayment of borrowings under the Total Facility from one or more of the following sources: (i) internally generated funds from consolidated operations, which may include, if the Merger is consummated, funds generated by the Company's operations, (ii) the possible disposition of certain marketable securities owned by Hanna and assets presently or hereafter owned by Hanna and its subsidiaries, including without limitation, if the Merger is consummated, assets presently owned by the Company (see Section 11), (iii) the possible refinancing of the debt of a Hanna affiliate in an amount up to approximately $50 million, (iv) possible capital markets transactions, which may include, among other things, issuances of long-term senior debt securities, subordinated debt securities and common or preferred stock, and (v) the possible refinancing of the Total Facility, in whole or from time to time in part, with one or more commercial banks. No specific agreements exist for any such refinancing. It is anticipated that the specific source of funds selected for the repayment of borrowings under the Total Facility will be determined with reference to all factors deemed by Hanna to be relevant, including without limitation the amount of borrowings under the Total Facility, the amount of Hanna's internally generated funds (including, if the Merger is consummated, the Company's internally generated funds), prevailing interest rates and other market conditions, the specific terms on which any particular transaction may be consummated and other alternatives that may be available to Hanna from time to time.

Company Indebtedness. Pursuant to the Merger Agreement, the Company advised the Purchaser and Hanna that the making or consummation of the Offer or the Merger may conflict with or constitute a default under the instruments governing certain indebtedness of the Company and/or its subsidiaries (the aggregate principal amount of which was approximately $33.1 million as of June 30, 1987). Hanna and the Purchaser intend to review the terms of all such indebtedness and, if necessary, to seek such consents or waivers as may be required under such indebtedness. There can be no assurance that Hanna and the Purchaser will be successful in obtaining such consents or waivers. In the event that such consents or waivers cannot be obtained on terms satisfactory to Hanna and the Purchaser, Hanna and the Purchaser may be required to seek to negotiate modifications of the Citibank Commitment or to seek alternate financing or to cause such indebtedness to be paid by the Company and/or its subsidiaries, including, if the Merger is consummated, the Company.

13. Certain Conditions of the Offer. Notwithstanding any other provision of the Offer, the Purchaser shall not be required to accept for payment, purchase or pay for any Shares tendered, and may postpone the acceptance for payment, the purchase of, and/or the payment for, Shares, and/or may amend (subject to the terms of the Merger Agreement) or terminate the Offer if (i) the Minimum Share Condition is not satisfied, (ii) the Company shall not have redeemed the Rights, or (iii) at any time at or before payment for any Shares tendered pursuant to the Offer (whether or not any Shares have theretofore been accepted for payment or paid for pursuant to the Offer), any of the following events shall occur:

(a) there shall be in effect any preliminary or final injunction or temporary restraining order or other order or decree issued by any United States federal or state court of competent jurisdiction or United States federal or state governmental, regulatory or administrative agency or authority, enjoining, restraining or otherwise prohibiting the Offer, the Merger or the acquisition by Hanna or the Purchaser of Shares; or

(b) there shall be any statute, rule, regulation or order promulgated, enacted, entered or deemed applicable to the Offer or the Merger by any government or governmental authority or agency or any court that, in the sole judgment of the Purchaser, would make the acceptance for payment or payment for the Shares or consummation of the Merger illegal or prohibit consummation of the Offer or Merger; or

(c) there shall have occurred (1) any general suspension of, or limitation on prices for, trading in securities on the NYSE or in the over-the-counter market, (2) a declaration of a banking moratorium or any limitation or suspension of payments by the United States or Canadian authorities on the extension of credit by lending institutions, (3) a commencement of war, armed hostilities or other international or national calamity directly or indirectly involving the United States, (4) any limitation (whether or not mandated) by any governmental authority on, or any other event which, in the sole judgment of the Purchaser, may materially adversely affect, the extension of credit by banks or other lending institutions

in the United States, or (5) in the case of any of the foregoing existing at the time of the commencement of the Offer, a material acceleration or worsening thereof; or

(d) it shall have been publicly disclosed or the Purchaser shall have learned that any person, corporation, entity or "group" (as defined in Section 13(d)(3) of the Exchange Act) (a "Person") shall have acquired or become the beneficial owner of 40% or more of the outstanding Common Shares, or shall have been granted any option or right, conditional or otherwise, to acquire 40% or more of the outstanding Common Shares, or any new group shall have been formed which beneficially owns 40% or more of the outstanding Common Shares, or any such person shall have entered into a definitive agreement or an agreement in principle with the Company with respect to a tender offer or exchange offer for any shares of capital stock or the Company (including, without limitation, the Shares) or a merger, consolidation or other business combination with or involving the Company; or

(e) any of the representations and warranties of the Company in the Merger Agreement shall not have been, or shall cease to be, true and correct in all material respects (whether because of circumstances or events occurring in whole or in part prior to, on or after the date of the Merger Agreement), or the Company shall have not performed each covenant or agreement to be performed by it pursuant to the Merger Agreement; or

(f) the Merger Agreement shall have been terminated by the Company, on the one hand, or Hanna and the Purchaser, on the other hand, in accordance with its terms or the Purchaser or Hanna, on the one hand, and the Company, on the other hand, shall have reached an agreement providing for the termination or amendment of the Offer; or

(g) the Company's Board of Directors shall have failed to recommend and approve, or shall no longer recommend and approve, the Offer or the Merger, or shall materially modify or amend its recommendation and approval with respect thereto, or shall have determined to do any of the foregoing (except that the foregoing shall not apply to a modification or amendment solely in the reasons for such recommendation and approval so long as the Board of Directors of the Company continues to recommend and approve acceptance of the Offer and the Merger by all holders of Shares); or

(h) without limiting the generality or effect of Paragraph (e) of this Section 13, except as disclosed to Hanna pursuant to the Merger Agreement, the Company and its subsidiaries shall have not conducted their business only in the ordinary course, or there shall have been any material adverse change in the business, financial condition or results of operations of the Company and its subsidiaries, taken as a whole;

which, in the sole judgment of the Purchaser, in any such case regardless of the circumstances (including any action or inaction by the Purchaser or any of its affiliates other than a material breach by the Purchaser or Hanna of the Merger Agreement) giving rise to any such condition, makes it inadvisable to proceed with the Offer or with such acceptance for payment or purchase of or payment for any of the Shares.

The foregoing conditions (i) may be asserted by the Purchaser regardless of the circumstances (including any action or inaction by the Purchaser or any of its affiliates other than a material breach by the Purchaser or Hanna of the Merger Agreement) giving rise to such condition and (ii) other than the Minimum Share Condition, are for the sole benefit of the Purchaser and its affiliates. The foregoing conditions, other than the Minimum Share Condition, may be waived by the Purchaser in whole or in part at any time and from time to time in its sole discretion. The conditions may be considered to be material to the Offer. If the Purchaser waives any material condition of the Offer, it will, if required by applicable law, extend the period of time during which the Offer is open in accordance with applicable law for a period sufficient to allow shareholders to consider the Offer by giving oral or written notice of such extension to the Depositary and by making a public announcement thereof. The failure by the Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any other rights and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time. Any determination by the Purchaser concerning the events described in this Section 13 will be final and binding upon all parties.

See Section 11 for a description of certain representations, warranties, covenants and agreements of the Company under the Merger Agreement, the breach or failure to satisfy which, pursuant to Paragraph (e) of this Section 13, may constitute a failure to satisfy the conditions to the Offer.

14. Dividends and Distributions. If, on or after July 1, 1987, the Company should split, combine or otherwise change the Common Shares or Preferred Shares or its capitalization, or shall disclose that it has taken any such action, then, without prejudice to the Purchaser's rights under Section 13 hereof, the Purchaser may, in its sole discretion, make such adjustments in the purchase price and other terms of the Offer as it deems appropriate, including, without limitation, the number and type of securities offered to be purchased and the amounts payable therefor.

If, on or after July 1, 1987, the Company should declare or pay any dividend on the Shares (other than regular quarterly cash dividends on the Common Shares not in exess of $0.125 per Common Share and regular quarterly cash dividends on Preferred Shares) or any distribution (including, without limitation, the issuance of additional Common Shares or Preferred Shares pursuant to a stock dividend or stock split or the issuance of rights to acquire any property, but excluding the redemption price for the Rights upon their redemption pursuant to the Rights Agreement) with respect to the Common Shares or Preferred Shares that is payable or distributable to shareholders of record on a date prior to the transfer to the name of the Purchaser or its nominee or transferee on the Company's share transfer records of the Shares accepted for payment pursuant to the Offer, then, without prejudice to the Purchaser's rights hereunder, (i) the purchase price per Common Share or Preferred Share, as the case may be, for such Shares payable by the Purchaser pursuant to the Offer will be reduced by the amount of any such cash dividend or cash distribution and (ii) the whole of any such non-cash dividend, distribution or right will be received and held by the tendering shareholder for the account of the Purchaser and shall be required to be promptly remitted and transferred by each tendering shareholder to the Depositary for the account of the Purchaser, accompanied by appropriate documentation of transfer. Pending such remittance, the Purchaser will be entitled to all rights and privileges as owner of any such or additional non-cash dividend, distribution or right and may withhold the entire purchase price or deduct from the purchase price the amount or value thereof, as determined by the Purchaser in its sole discretion.

The Offer shall be deemed an offer to purchase any securities or other property that the Company may issue in respect of, or in exchange for, Shares (including rights to Shares and other securities pursuant to proration rights), whether by way of exchange offer, recapitalization, reorganization, or other extraordinary transaction. The Purchaser reserves the right in its sole discretion to waive this provision and not purchase such securities or other property.

15. Certain Legal Matters.

General. Except as set forth in this Offer to Purchase, based upon an examination of publicly available filings with respect to the Company and certain representations and warranties of the Company contained in the Merger Agreement and information provided by the Company pursuant to the Merger Agreement, the Purchaser is not aware of any license or other regulatory permit that appears to be material to the business of the Company and that might be adversely affected by the acquisition of Shares by the Purchaser pursuant to the Offer or, except as set forth below, of any approval or other action by any governmental, administrative or regulatory agency or authority that would be required prior to the acquisition of Shares pursuant to the Offer. Should any such approval or other action be required, it is presently contemplated that such approval or action would be sought. The Purchaser is unable to predict, however, whether it may determine that it is required to delay the acceptance for payment of Shares pursuant to the Offer pending such approval or other action. In certain of such circumstances, the Purchaser may not be obligated to purchase any Shares pursuant to the Offer. See Section 13.

Antitrust Compliance. The HSR Act provides that the acquisition of Shares by the Purchaser may not be consummated unless certain information has been furnished to the Antitrust Division and the FTC and certain waiting period requirements have been satisfied. The rules promulgated by the FTC under the HSR Act require that a Notification and Report Form (the "Form") be filed by Hanna with the Antitrust Division and the FTC and that the acquisition of Shares pursuant to the Offer may not be consummated until 15 days after receipt by the Antitrust Division and the FTC of such Form. Within such 15-day period the Antitrust Division

or the FTC may request additional information or documentary material from Hanna. The HSR Act generally provides that the Offer may not be consummated, and the purchase of the tendered Shares may not be made, until at least 10 days after Hanna substantially complies with such request. Thereafter, such waiting period may be extended only by court order or with the consent of Hanna. Hanna filed the Form with the Antitrust Division and the FTC on July 13, 1987 and, accordingly, the 15-day waiting period will elapse, assuming no request for additional information is made, at 11:59 p.m., New York City time, on July 28, 1987. Although the Company is required to file certain information and documentary material with the Antitrust Division and the FTC in connection with the Offer, neither the Company's failure to make such filings nor a request from the Antitrust Division or the FTC for additional information or documentary material made to the Company will extend the waiting period. The Purchaser will not accept for payment, purchase or pay for Shares tendered pursuant to the Offer unless and until the waiting period requirements imposed by the HSR Act have been satisfied. See Section 2.

The Antitrust Division and the FTC frequently scrutinize the legality under the antitrust laws of transactions such as the Purchaser's acquisition of Shares pursuant to the Offer or the Merger. At any time before or after the Purchaser's purchase of Shares, the Antitrust Division or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the acquisition of Shares pursuant to the Offer or the Merger, or seeking divestiture of Shares acquired by the Purchaser or of assets of the Company and its subsidiaries or of Hanna and its subsidiaries. Private parties may also assert claims under the antitrust laws. Hanna, through its indirect wholly owned subsidiary, Burton Rubber, and the Company are each engaged in the custom mixing of polymer compounds. The Purchaser believes that neither its acquisition of Shares pursuant to the Offer nor the Merger is prohibited under the antitrust laws. However, there can be no assurance that a challenge to the Offer on antitrust grounds will not be made or, if a challenge is made, what the result of such challenge will be. See Section 13 with respect to certain conditions to the Offer and Section 12 with respect to certain conditions to the Citibank Commitment.

Pursuant to the Merger Agreement, each of Hanna and the Company agreed to use its best efforts to resolve such objections, if any, as may be asserted with respect to the Offer or the Merger under the antitrust laws and to resist or resolve any such suit challenging the Offer or the Merger. The Merger Agreement also provides that Hanna and the Company will use their best efforts to take such action as may be required (i) by the Antitrust Division or the FTC in order to resolve such objections as either may have to the Offer or the Merger under the antitrust laws or (ii) by any federal or state court in the United States in any suit brought by a private party or governmental authority challenging the Offer or the Merger as violative of the antitrust laws, in order to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order or other order which has the effect of preventing the consummation of the Offer or the Merger, provided that the Company is not required by the Merger Agreement to commit to a divestiture transaction that is required to be consummated prior to the Effective Time of the Merger. The Merger Agreement provides that the entry by a court, in any suit brought by a private party or a governmental authority challenging the Offer or the Merger as violative of the antitrust laws, of an order or decree permitting the Offer or the Merger but requiring that any of the business, product lines or assets of Hanna or the Company be held separate thereunder, will not be deemed a failure to satisfy certain conditions to the Merger set forth in the Merger Agreement or of Paragraph (a) of Section 13.

State Takeover Laws. A number of states have adopted takeover laws which by their terms are applicable to attempts to acquire corporations which are incorporated in such states, or have substantial assets, security holders, principal executive offices or principal places of business therein. In *Edgar v. MITE Corporation,* the Supreme Court of the United States invalidated on constitutional grounds the Illinios Business Takeover Act, which as a mater of state securities law, made takeovers of corporations meeting certain requirements more difficult. In *CTS Corp. v. Dynamics Corp. of America,* however, the Supreme Court held that a state may, as a matter of corporate law and, in particular, those laws concerning corporate governance, constitutionally disqualify a potential acquiror from voting on the affairs of a target corporation without prior approval of the remaining shareholders, provided that such laws were applicable under certain conditions, in particular, that the corporation has a substantial number of shareholders in the state and is incorporated there. The Company is incorporated under the laws of the State of Michigan which currently has no statute similar to that at issue in *CTS.* However, there can be no assurance that Michigan will not, prior to the completion of the Offer, enact

such a statute. Should any government agency or official or any other person seek to apply any other state takeover statute to the Offer, the Purchaser will take such action as it then deems desirable and presently anticipates that it would contest the validity of such statutes and the application of such statutes to the Offer in appropriate judicial or administrative proceedings. In the event it is asserted that one or more state takeover laws is applicable to the Offer and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer, the Purchaser may be required to file certain information with, or receive approvals from, the relevant state authorities, and, if enjoined, the Purchaser may be unable to purchase Shares tendered pursuant to the Offer, or be delayed in consummating the Offer. In certain of the circumstances described above, the Purchaser may not be obligated to purchase any Shares pursuant to the Offer. See Section 13.

Foreign Approvals. The Company's Form 10-K indicates that the Company has one or more subsidiaries in a number of foreign countries, including, among others, Australia, Canada, the Federal Republic of Germany and the United Kingdom. Depending upon the value or income of such subsidiaries in such countries, such laws could require that filings be made by the Purchaser or Hanna with certain governmental authorities in such countries and governmental approvals be obtained based upon the application of certain standards, including the effect of the completion of the Offer or the Merger in the country in which the subsidiaries are located and/or the competitive effects of the Offer or the Merger.

In the event that laws in one or more of such foreign countries are deemed to be applicable to the Offer, the Purchaser could be required to file certain information or to obtain the approval of foreign governmental authorities. Such authorities could also attempt to impose conditions on the Offer or on the activities or operations of the Purchaser or the Company or their subsidiaries. The Purchaser presently intends to determine the applicability of any such laws following completion of the Offer and to take such action as they may require. If the Purchaser is unable to obtain such approvals as may be required by such laws, the Purchaser may not be obligated to purchase any Shares pursuant to the Offer. See Section 13.

Rule 13e-3. Rule 13e-3 under the Exchange Act is applicable to certain "going private" transactions, and possibly could be applicable to the Merger. It is presently anticipated that Rule 13e-3 will not be applicable to the Merger. If, however, among other things, the Merger were not to occur within one year of the date of termination of the Offer and on terms substantially similar to those described herein, Rule 13e-3 would be applicable. If applicable, Rule 13e-3 would require, among other things, that certain financial information concerning the Company and certain information relating to the fairness of the Merger and the consideration offered to remaining shareholders in such transaction be filed with the Commission and disclosed to such shareholders prior to consummation of the Merger.

Margin Rules. Federal Reserve Board Regulations G, U and X impose restrictions upon the extension or maintenance of credit for the purpose of buying or carrying margin stock, including the Shares, if the credit is directly or indirectly secured by margin stock. Such secured credit may not be extended or maintained in an amount that exceeds the maximum loan value of the collateral securing the credit. Under the Citibank Commitment, all advances under the Total Facility will be secured by a pledge by Hanna of, among other assets, all of the Pledged Stock. See Section 12. In January, 1986, the Federal Reserve Board issued an interpretative release concerning Regulation G. The interpretation provides that the Federal Reserve Board will presume that debt securities issued by a "shell" corporation to finance the acquisition of the margin stock of a target company are indirectly secured by the margin stock for purposes of the restrictions on lending in the margin regulations. However, the interpretation provides that debt securities issued to finance the acquisition of margin stock by an operating company with substantial assets or cash flow out of which the repayment of such debt securities ultimately may be funded would not be presumed to be indirectly secured by margin stock. In addition, the interpretation states that the presumption with respect to indirect security would not apply if there is a merger agreement between the acquiring and target companies entered into at the time the commitment is made to purchase the debt securities or in any event before loan funds are advanced. The Purchaser does not presently anticipate issuing any debt securities in connection with the Offer and, in any event, Hanna, the Purchaser and the Company have entered into the Merger Agreement. Based on its understanding of Regulations G, U and X, the Purchaser and Hanna believe that the financing arrangements described in Section 12 will comply with Regulations G, U and X to the extent that any such Regulation may be applicable. A challenge to such financing arrangements alleging a violation of Regulations G, U or X, if

adversely determined, could have an adverse effect on the Purchaser's ability to obtain the financing necessary to consummate the Offer. See Sections 12 and 13.

Certain Litigation. On July 9, 1987, Sidney L. Kaufman filed a complaint against Hanna in the Court of Common Pleas of Montgomery County, Ohio, purporting to act on behalf of all holders of Common Shares except Hanna. Mr. Kaufman alleges in his complaint, among other things, that Hanna has pursued a scheme and plan to acquire the Company at a grossly unfair price, and seeks to recover damages. Hanna is of the view that Mr. Kaufman's lawsuit is without merit and intends vigorously to defend against it.

16. Fees and Expenses. PaineWebber is acting as exclusive financial advisor to the Purchaser and Hanna and as Dealer Manager in connection with the Offer. In consideration of such services, PaineWebber is entitled to a fee of $125,000 upon commencement of the Offer. Upon the purchase of Shares pursuant to the Offer or in the event that Hanna or the Purchaser otherwise acquires the Company, PaineWebber will be entitled to an additional fee not in excess of $1,625,000. The Purchaser also has agreed to reimburse PaineWebber for its out-of-pocket expenses, including the fees and expenses of its counsel, in connection with the Offer, and has agreed to indemnify PaineWebber against certain liabilities and expenses in connection with the Offer, including liabilities under the federal securities laws. PaineWebber has received and is continuing to receive fees from Hanna for financial advisory services at the rate of $10,000 per month and is entitled to contingent fees in the event that certain other acquisition transactions are effected. PaineWebber performs other services for Hanna from time to time.

The Purchaser has retained D. F. King & Co., Inc., to act as the Information Agent in connection with the Offer. The Information Agent may contact holders of Shares by mail, telephone, telex, telegraph and personal interviews and may request brokers, dealers and other nominee shareholders to forward the Offer materials to beneficial owners of Shares. The Information Agent will receive reasonable and customary compensation for such services, plus reimbursement of its out-of-pocket expenses.

The Purchaser will pay National City Bank, as Depositary, reasonable and customary compensation for its services in connection with the Offer, plus reimbursement for out-of-pocket expenses, and will indemnify the Depositary against certain liabilities and expenses in connection therewith, including liabilities under the federal securities laws.

Except as described herein with respect to PaineWebber, the Purchaser will not pay any fees or commissions to any broker or dealer or any person for soliciting tenders of Shares pursuant to the Offer. Brokers, dealers, commercial banks and trust companies will be reimbursed by the Purchaser for customary mailing and handling expenses incurred by them in forwarding material to their customers.

17. Miscellaneous. The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance of tenders would not be in compliance with the laws of such jurisdiction. In any jurisdiction the securities laws or blue sky laws of which require the Offer to be made by a licensed broker or dealer, the Offer shall be made on behalf of the Purchaser by brokers or dealers licensed under the laws of such jurisdiction.

The Purchaser, HC and Hanna have jointly filed with the Commission a Schedule 14D-1 (the "Schedule 14D-1") pursuant to Section 14(d)(1) of the Exchange Act, furnishing certain additional information with respect to the Offer, and may file amendments thereto. The Schedule 14D-1 and any amendments thereto, including exhibits, may be examined and copies may be obtained from the principal office of the Commission in Washington, D.C., in the manner set forth in Section 8 with respect to information concerning the Company.

No person has been authorized to give any information or make any representation on behalf of the Purchaser or Hanna not contained in this Offer to Purchase or in the Letters of Transmittal and, if given or made, such information or representation must not be relied upon as having been authorized.

HANAC ACQUISITION COMPANY

July 14, 1987

LETTER OF TRANSMITTAL

TO TENDER SHARES OF $4.25 CONVERTIBLE PREFERRED STOCK SERIES A

LETTER OF TRANSMITTAL

To Tender Shares of $4.25 Convertible Preferred Stock, Series A

of

DAY INTERNATIONAL CORPORATION

Pursuant to the Offer to Purchase Dated July 14, 1987

of

Hanac Acquisition Company

an indirect wholly owned subsidiary of

M. A. HANNA COMPANY

THE OFFER AND WITHDRAWAL RIGHTS EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON MONDAY, AUGUST 10, 1987, UNLESS EXTENDED.

The Depositary:

NATIONAL CITY BANK

Facsimile Copy Numbers:

(216) 861-1460

(216) 861-1810

Attn: Lisa B. Brady

Corporate Trust Department

Confirm by Telephone

(216) 575-2531

Telex Number: 212537

By Mail:
National City Bank
Post Office Box 92301
Cleveland, Ohio 44101
Attn: Corporate Trust Department

By Hand:
National City Bank
Corporate Trust Department
1900 East 9th Street
5th Floor
Cleveland, Ohio 44114

By Hand:
Mellon Securities Transfer Services
67 Broad Street
14th Floor
New York, New York 10004

For Information Call:
(216) 575-2531 (Collect)

Delivery of this Letter of Transmittal to an address other than those shown above or transmission of instructions via a facsimile or telex number other than those listed above does not constitute a valid delivery. The Instructions accompanying this Letter of Transmittal should be read carefully before this Letter of Transmittal is completed.

This Letter of Transmittal is to be used only (a) if certificates are to be forwarded herewith or (b) delivery of Preferred Shares (as such term is defined below) is to be made by book-entry transfer to the account maintained by the Depositary at The Depository Trust Company ("DTC"), the Midwest Securities Trust Company ("MSTC"), the Pacific Securities Depository Trust Company ("PSDTC") or the Philadelphia Depository Trust Company ("PDTC") (collectively, the "Book-Entry Transfer Facilities"), pursuant to the procedures set forth in Section 3 of the Offer to Purchase. Shareholders whose certificates for Preferred Shares are not immediately available or who cannot deliver either the certificates for, or a Book-Entry Confirmation (as defined in Section 3 of the Offer to Purchase) with respect to, their Preferred Shares and all other documents required hereby to the Depositary prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase) (or who are unable to comply with the procedure for book-entry transfer on a timely basis) must tender their Preferred Shares according to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase. See Instruction 2. Delivery of documents to a Book-Entry Transfer Facility does not constitute delivery to the Depositary.

☐ CHECK HERE IF TENDERED PREFERRED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO AN ACCOUNT MAINTAINED BY THE DEPOSITARY WITH ONE OF THE BOOK-ENTRY TRANSFER FACILITIES AND COMPLETE THE FOLLOWING:

Name of Tendering Institution .....

Check Box of Applicable BOOK-ENTRY TRANSFER FACILITY:

☐ DTC ☐ MSTC ☐ PSDTC ☐ PDTC

Account Number .....

Transaction Code Number .....

☐ CHECK HERE IF CERTIFICATES FOR TENDERED PREFERRED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Owner(s) .....

Date of Execution of Notice of Guaranteed Delivery

.....

Name of Institution which Guaranteed Delivery

.....

Check Box of Applicable BOOK-ENTRY TRANSFER FACILITY and give Account Number if Delivered by book-entry transfer:

☐ DTC ☐ MSTC ☐ PSDTC ☐ PDTC

Account Number .....

Transaction Code Number (if any) .....

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Gentlemen:

The undersigned hereby tenders to Hanac Acquisition Company (the "Purchaser"), a Delaware corporation ar indirect wholly owned subsidiary of M. A. Hanna Company, a Delaware corporation ("Hanna"), the above-desc shares of $4.25 Convertible Preferred Stock, Series A, no par value (the "Preferred Shares"), of Day Internat Corporation, a Michigan corporation (the "Company"), in accordance with the terms and conditions of the Purcha Offer to Purchase dated July 14, 1987, and any supplements or amendments thereto and this Letter of Transmittal (w together constitute the "Offer"), receipt of which is hereby acknowledged.

Upon the terms and subject to the conditions of the Offer, and subject to and effective upon acceptance for payr of and payment for the Preferred Shares tendered herewith, the undersigned hereby sells, assigns and transfers to, or t the order of, the Purchaser all right, title and interest in and to all the Preferred Shares that are being tendered hereby any and all other shares and other securities issued or issuable in respect of such Preferred Shares on or after July 1, 1 and irrevocably constitutes and appoints the Depositary the true and lawful agent and attorney-in-fact of the undersig with respect to such Preferred Shares and other securities or rights, with full power of substitution (such power of attor being deemed to be an irrevocable power coupled with an interest), to (i) deliver certificates for such Preferred Sh and other securities or rights or transfer ownership of such Preferred Shares and other securities or rights on the acc books maintained by a Book-Entry Transfer Facility together, in any such case, with all accompanying evidence transfer and authenticity to or upon the order of the Purchaser, (ii) present such Preferred Shares and other securitie rights for transfer on the Company's books, and (iii) receive all benefits and otherwise exercise all rights of benefi ownership of such Preferred Shares and other securities or rights, all in accordance with the terms of the Offer.

The name(s) and address(es) of the registered owner(s) should be printed, if not already printed above, exactly they appear on the certificates representing Preferred Shares tendered hereby. The certificates and the number Preferred Shares that the undersigned wishes to tender should be indicated in the appropriate boxes.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, s assign and transfer the tendered Preferred Shares and any and all other shares and other securities or rights issued issuable in respect of such Preferred Shares on or after July 1, 1987, and the Purchaser will acquire good and marketa title thereto, free and clear of all liens, restrictions, claims and encumbrances. The undersigned will, upon request, execu any additional documents deemed by the Depositary or the Purchaser to be necessary or desirable to complete the sa assignment and transfer of the tendered Preferred Shares and any and all other shares and other securities or rights issu or issuable in respect thereof on or after July 1, 1987.

All authority conferred or agreed to be conferred in this Letter of Transmittal shall be binding upon the successc assigns, heirs, executors, administrators and legal representatives of the undersigned and shall not be affected by, and sh survive, the death or incapacity of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocab

The undersigned hereby irrevocably appoints M. D. Walker, J. E. Courtney, John S. Pyke, Jr., R. A. Profusek, a each of them, and any other designees of the Purchaser, the attorneys and proxies of the undersigned, each with full pow of substitution, to vote at any annual, special or adjourned meeting of the Company's shareholders or otherwise in su manner as each such attorney and proxy or his substitute shall in his sole discretion deem proper, to execute any writt consent concerning any matter as each such attorney and proxy or his substitute shall in his sole discretion deem prop and otherwise act with respect to, all of the Preferred Shares tendered hereby which have been accepted for payment the Purchaser prior to the time any such action is taken and with respect to which the undersigned is entitled to vote a any and all other shares and other securities or rights issued or issuable in respect of such Preferred Shares on or after Ju 1, 1987. This appointment is effective when, and only to the extent that, the Purchaser accepts for payment such Preferr Shares as provided in the Offer to Purchase. This power of attorney and proxy is irrevocable and coupled with an intere and is granted in consideration of the acceptance for payment of such Preferred Shares as provided in the Offer Purchase. Upon such acceptance for payment, all prior proxies given by the undersigned with respect to such Preferr Shares and other securities or rights will be revoked and no subsequent proxies may be given (and, if given, will not l deemed effective) by the undersigned.

The undersigned acknowledges and agrees that, by accepting payment for the Preferred Shares tendered pursuant the Offer, the undersigned forever releases and discharges the Purchaser and Hanna and their respective heirs, successo and assigns from any and all claims whatsoever that the undersigned now has, or may have in the future, arising out of, related to, the Preferred Shares.

The undersigned understands that the valid tender of Preferred Shares pursuant to any one of the procedur described in Section 3 of the Offer to Purchase and in the Instructions hereto will constitute a binding agreement betwee the undersigned and the Purchaser upon the terms and subject to the conditions of the Offer, including the tenderin shareholder's representation and warranty that (i) such shareholder owns the Preferred Shares tendered within th meaning of Rule 10b-4 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 10b-4"), and (ii the tender of such Preferred Shares complies with Rule 10b-4.

Unless otherwise indicated herein under "Special Payment Instructions," please issue the check for the purchase price and/or return any certificates for Preferred Shares not tendered or accepted for payment in the name(s) of the registered holder(s) appearing under "Description of Preferred Shares Tendered." Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the purchase price and/or return any certificates for Preferred Shares not tendered or accepted for payment (and accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing under "Description of Preferred Shares Tendered." In the event that either or both the Special Delivery Instructions and the Special Payment Instructions are completed, please issue the check for the purchase price and/or return any certificates for Preferred Shares not tendered or accepted for payment in the name of, and deliver said check and/or return such certificates to, the person or persons so indicated. Unless otherwise indicated herein under "Special Payment Instructions," in the case of a book-entry delivery of Preferred Shares, please credit the account maintained at the Book-Entry Transfer Facility indicated above with any Preferred Shares, not accepted for payment. The undersigned recognizes that the Purchaser has no obligation pursuant to the Special Payment Instructions to transfer any Preferred Shares from the name of the registered holder thereof if the Purchaser does not accept for payment any of the Preferred Shares so tendered.

SPECIAL PAYMENT INSTRUCTIONS
(See Instructions 1, 5, 6 and 7)

To be completed **ONLY** if certificates for Preferred Shares not tendered or not accepted for payment and/or the check for the purchase price of Preferred Shares accepted for payment are to be issued in the name of someone other than the undersigned, or if Preferred Shares delivered by book-entry transfer that are not accepted for payment are to be returned by credit to an account maintained at a Book-Entry Transfer Facility other than the account indicated above.

Issue: ☐ Check ☐ Certificate(s) to:

Name: .....
(Please Print)

Address: .....

.....
(Include Zip Code)

.....
(Employer Identification or Social Security Number)

☐ Credit unpurchased Preferred Shares delivered by book-entry transfer to the account set forth below:
Check appropriate box:
- ☐ The Depository Trust Company
- ☐ Midwest Securities Trust Company
- ☐ Pacific Securities Depository Trust Company
- ☐ Philadelphia Depository Trust Company

.....
(Account Number)

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 1, 5, 6 and 7)

To be completed **ONLY** if certificates for Preferred Shares not tendered or not accepted for payment and/or the check for the purchase price of Preferred Shares accepted for payment are to be sent to someone other than the undersigned or to the undersigned at an address other than that above.

Mail: ☐ Check ☐ Certificate(s) to:

Name: .....
(Please Print)

Address: .....

.....
(Include Zip Code)

.....
(Employer Identification or Social Security Number)

SIGN HERE
(Please complete substitute Form W-9 on the reverse side)

.....

.....

(Signature(s) of Owner(s))

Dated: ....., 1987

(Must be signed by registered holder(s) as name(s) appear(s) on the certificate(s) for the Preferred Shares or on a security position listing or by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by an officer on behalf of a corporation or by an executor, administrator, trustee, guardian, attorney, agent or other person acting in a fiduciary or representative capacity, please provide the following information. See Instruction 5).

Name(s): .....
(Please Print)

Capacity (full title): .....

Address: .....

.....
(Include Zip Code)

Area Code and
Telephone No. .....

Tax Identification or
Social Security No. .....

GUARANTEE OF SIGNATURE(S)
(See Instructions 1 and 5)

Authorized Signature .....

Name .....
(Please Print)

Name of Firm .....

Address .....

.....
(Include Zip Code)

Area Code and Tel. No. .....

Dated ....., 1987

INSTRUCTIONS

Forming Part of the Terms and Conditions of the Offer

1. Guarantee of Signatures. If this Letter of Transmittal is signed by the registered holder of the Preferred Shares (which term, for purposes of this document, shall include any participant in a Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Preferred Shares) tendered herewith and payment and delivery are to be made directly to such holder, or if such Preferred Shares are tendered for the account of a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc. ("NASD") or a commercial bank or trust company having an office or correspondent in the United States (each being hereinafter referred to as an "Eligible Institution"), no signature guarantee is required. In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution.

2. Requirements of Tender.

This Letter of Transmittal is to be used only if certificates are to be forwarded herewith or if delivery of Preferred Shares is to be made pursuant to the procedures for book-entry transfer set forth in Section 3 of the Offer to Purchase. For a shareholder validly to tender Preferred Shares, a properly completed and duly executed appropriate Letter of Transmittal (this YELLOW Letter of Transmittal for Preferred Shares) or facsimile thereof, with any required signature guarantees and any other documents required by this Letter of Transmittal, must be received by the Depositary at one of its addresses set forth herein and either certificates or a Book-Entry Confirmation for tendered Preferred Shares must be received by the Depositary at one of such addresses, in each case prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase), or the tendering shareholder must comply with the guaranteed delivery procedure set forth below.

Shareholders whose certificates for Preferred Shares are not immediately available or who cannot deliver their certificates and all other required documents to the Depositary or complete the procedures for book-entry transfer prior to the Expiration Date may tender their Preferred Shares by properly completing and duly executing the Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. Pursuant to such procedure, (i) such tender must be made by or through an Eligible Institution, (ii) a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by the Purchaser must be received by the Depositary on or prior to the Expiration Date, and (iii) the certificates for all physically tendered Preferred Shares in proper form for transfer, or a Book-Entry Confirmation, together with this Letter of Transmittal properly completed and duly executed (or a facsimile thereof), and any other documents required by this Letter of Transmittal, must be received by the Depositary within five New York Stock Exchange, Inc. ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery.

The method of delivery of Preferred Shares and all other required documents is at the option and risk of each shareholder. Except as otherwise provided in this Instruction 2, the delivery will be deemed made only when actually received by the Depositary. If delivery is by mail, the use of registered mail with return receipt requested, properly insured, is recommended. For those shareholders who desire to tender by mail, an envelope addressed to the Depositary is enclosed.

No alternative, conditional or contingent tenders will be accepted and no fractional Preferred Shares will be purchased. All tendering shareholders, by execution of this Letter of Transmittal (or facsimile thereof), waive any right to receive any notice of the acceptance of their Preferred Shares for payment.

3. Inadequate Space. If the space provided is inadequate, the certificate numbers and number of Preferred Shares should be listed on a separate signed schedule attached hereto.

4. Partial Tenders and Unpurchased Preferred Shares. (Not applicable to persons who tender Preferred Shares by book-entry transfer.) If fewer than all of the Preferred Shares evidenced by any certificate are to be tendered, fill in the number of Preferred Shares that are to be tendered in the column entitled "Number of Preferred Shares Tendered." In such case, a new certificate for the remainder of the Preferred Shares evidenced by your old certificate(s) will be issued and sent to the registered holder, unless otherwise specified in the "Special Payment Instructions" or "Special Delivery Instructions" boxes in this Letter of Transmittal, as soon as practicable after the Expiration Date of the Offer. All Preferred Shares represented by certificates listed and delivered to the Depositary are deemed to have been tendered unless otherwise indicated.

5. Signatures on Letter of Transmittal; Stock Powers and Endorsements. (a) If this Letter of Transmittal is signed by the registered holder of the Preferred Shares tendered hereby, the signature must correspond with the name as written on the face of the certificates without any change whatsoever.

(b) If any of the Preferred Shares tendered hereby are held of record by two or more joint holders, all such holders must sign this Letter of Transmittal.

(c) If any tendered Preferred Shares are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of certificates.

(d) When this Letter of Transmittal is signed by the registered holder(s) of the Preferred Shares listed and transmitted hereby, no endorsements of certificates or separate stock powers are required unless payment is to be made, or the certificates for Preferred Shares not purchased are to be issued (or any check for Preferred Shares purchased, or any certificates for Preferred Shares not purchased, are to be delivered), to a person other than the registered holder(s). In the latter case, signatures on such certificates or stock powers must be guaranteed by an Eligible Institution. See also Instruction 1.

(e) If this Letter of Transmittal or any stock powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing and must submit proper evidence satisfactory to the Purchaser of their authority so to act.

(f) If this Letter of Transmittal is signed by a person other than the registered holder of the certificates listed, the certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or

names of the registered holder or holders appear on the certificates. Signatures on such certificates or stock powers must be guaranteed by an Eligible Institution. See also Instruction 1.

(g) No signature guarantee is required for certificates or stock powers by this Instruction 5 if (i) this Letter of Transmittal is signed by the registered holder of Preferred Shares tendered herewith and payment is to be made directly to such registered holder or (ii) such Preferred Shares are tendered for the account of an Eligible Institution. In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution.

6. Stock Transfer Taxes. Except as set forth in this Instruction 6, no stock transfer tax stamps or funds to cover such stamps need accompany this Letter of Transmittal. The Purchaser will pay all stock transfer taxes, if any, payable on the transfer to it of Preferred Shares purchased pursuant to the Offer. If, however, payment of the purchase price is to be made to, or (in the circumstances permitted by the Offer) if Preferred Shares not tendered or accepted for payment are to be registered in the name of, any person other than the registered holder, or if tendered certificates are registered in the name of any person other than the person(s) signing this Letter of Transmittal, the amount of any stock transfer taxes (whether imposed on the registered holder or such other person) payable on account of the transfer to such person will be deducted from the purchase price unless satisfactory evidence of the payment of such taxes, or exemption therefrom, is submitted.

7. Special Payment and Delivery Instructions. If a check is to be issued in the name of, and/or certificates for unpurchased Preferred Shares are to be returned to, a person other than the signer of this Letter of Transmittal or if a check is to be sent and/or such certificates are to be returned to someone other than the signer of this Letter of Transmittal or to an address other than that shown above, the boxes entitled "Special Payment Instructions" and/or "Special Delivery Instructions" on this Letter of Transmittal, as applicable, should be completed. Shareholders tendering Preferred Shares by book-entry transfer may request that Preferred Shares not purchased be credited to an account maintained at the Book-Entry Transfer Facility which such shareholder may designate under "Special Payment Instructions." If no such instructions are given, such Preferred Shares not purchased will be returned by crediting the account at the Book-Entry Transfer Facility designated above.

8. Irregularities. All questions as to the form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any tender of Preferred Shares will be determined by the Purchaser, in its sole discretion, which determination shall be final and binding on all parties. The Purchaser reserves the absolute right to reject any or all tenders determined by it not to be in proper form or the acceptance for payment of which may, in the opinion of the Purchaser's counsel, be unlawful. The Purchaser also reserves the absolute right to waive any of the conditions of the Offer (other than the Minimum Share Condition, as defined in the Offer to Purchase, as provided in the Merger Agreement, as defined in the Offer to Purchase) or any defect or irregularity in tender of any Preferred Shares. None of the Purchaser, any of its affiliates, the Depositary, the Information Agent or any other person will be under any duty to give any notification of any defects or irregularities in tenders or shall incur any liability for failure to give any such notification.

9. Requests for Assistance and Additional Copies. Questions and requests for assistance or additional copies of the Offer to Purchase, the Notice of Guaranteed Delivery and this Letter of Transmittal may be directed to the Information Agent or the Dealer Manager at the addresses set forth at the end of this Letter of Transmittal. Additional copies of the aforementioned documents may also be obtained from your broker, dealer, commercial bank or trust company.

IMPORTANT TAX INFORMATION

10. Certain Federal Income Tax Consequences.

(a) *Backup Withholding.* In order to prevent the application of federal income tax backup withholding on payments that are made to a shareholder with respect to Preferred Shares purchased pursuant to the Offer, each shareholder must, unless an exemption applies, provide the Depositary with such shareholder's taxpayer identification number on the Substitute Form W-9 set forth on this Letter of Transmittal and certify under penalties of perjury that such number is correct. If the shareholder is an individual, the taxpayer identification number is his Social Security Number. If the Depositary is not provided with the correct taxpayer identification number, the shareholder may be subject to a $50 penalty imposed by the Internal Revenue Service.

If backup withholding applies, the Depositary is required to withhold 20% of any such payments made to the shareholder. Backup withholding is not an additional tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If backup withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

Certain shareholders (including, among others, corporations and certain foreign persons) are not subject to these backup withholding and reporting requirements. To qualify as an exempt recipient on the basis of foreign status, a foreign shareholder must submit to the Depositary a properly completed Internal Revenue Service Form W-8, signed under penalties of perjury, attesting to the shareholder's exempt foreign status. A Form W-8 can be obtained from the Depositary. A shareholder should consult his tax advisor as to his qualification for exemption from the backup withholding and reporting requirements and the procedure for obtaining an exemption.

See the enclosed "Guidelines for Certification of Taxpayer Identification Number or Substitute Form W-9" for additional information and instructions in preparing the Substitute Form W-9.

(b) *Withholding of Tax on Certain Foreign Persons.* Under federal income tax law, the Depositary is required to withhold a tax on certain types of payments made to a nonresident alien individual, foreign partnership or foreign corporation. If applicable, the rate of tax is up to 30% of the gross payment, subject to reduction for persons who are residents of countries which have an applicable tax treaty with the United States. To qualify for the reduced rate of tax, the recipient of the payment must submit to the Depositary, in duplicate, a properly executed Internal Revenue Service Form 1001. The tax does not apply to a payment for Preferred Shares disposed of in a transaction that is treated as a sale for federal income tax purposes. Accordingly, a foreign shareholder who is entitled to treat the disposition of his Preferred

Shares as a sale of such Preferred Shares may obtain a refund from the Internal Revenue Service upon filing a claim with appropriate supporting evidence if tax has been withheld on the proceeds of such disposition.

In determining the status of a shareholder, the Depositary will use the address of record with the Company. An individual whose address of record is outside the United States may prove that he or she is a citizen or resident of the United States by providing the Depositary with a statement in duplicate to that effect. In addition, an alien may claim residence in the United States by providing the Depositary with a properly completed Internal Revenue Service Form 1078 in duplicate in lieu of the above statement. A partnership or corporation with an address of record outside the United States may prove that it is a domestic partnership or domestic corporation by providing the Depositary with a statement to that effect. This statement must be furnished to the Depositary in duplicate and contain the address of the taxpayer's office or place of business in the United States. The statement must be signed by a member of the partnership or by an officer of the corporation, including the official title of the corporate officer.

No withholding is required if the payment is effectively connected with the conduct of a trade or business within the United States by the person entitled to such payment and is includable in such person's gross income under section 871(b)(2), section 842 or section 882(a)(2) of the Internal Revenue Code of 1986, as amended, for the taxable year. To qualify for this exemption a shareholder must submit to the Depositary, in duplicate, a properly executed Internal Revenue Service Form 4224.

Forms 1001, 1078 and 4224 can be obtained from the Depositary. A shareholder should consult his tax advisor as to his qualification for exemption from these withholding requirements and the procedure for obtaining an exemption.

PAYER'S NAME:

SUBSTITUTE FORM W-9 Department of the Treasury Internal Revenue Service **Payer's Request for Taxpayer Identification Number (TIN)**	**Part 1**—PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW	Social Security Number OR _____ Employer Identification Number
	Part 2—Check the box if you are NOT subject to backup withholding under the provisions of Section 3406(a)(1)(C) of the Internal Revenue Code because (1) you have not been notified that you are subject to backup withholding as a result of failure to report all interest or dividends or (2) the Internal Revenue Service has notified you that you are no longer subject to backup withholding. ☐	
	CERTIFICATION: UNDER THE PENALTIES OF PERJURY, I CERTIFY THAT THE INFORMATION PROVIDED ON THIS FORM IS TRUE, CORRECT, AND COMPLETE. SIGNATURE _____ DATE _____	**Part 3**— **Awaiting TIN** ☐

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 20% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED "GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9" FOR ADDITIONAL DETAILS.

IMPORTANT: This Letter of Transmittal or a manually signed facsimile thereof (together with certificates for Preferred Shares or confirmation of book-entry transfer and all other required documents) or the Notice of Guaranteed Delivery must be received by the Depositary prior to 12:00 midnight, New York City time, on the Expiration Date.

The Information Agent for the Offer is:

D. F. King & Co., Inc.

Toll Free 1-800-223-3604, except in New York 1-800-522-5001

One North LaSalle Street
Chicago, Illinois 60602
(312) 236-5881
(Call Collect)

60 Broad Street
New York, New York 10004
(212) 269-5550
(Call Collect)

9841 Airport Boulevard
Los Angeles, California 90045
(213) 215-3860
(Call Collect)

The Dealer Manager is:

PaineWebber Incorporated

1285 Avenue of the Americas
New York, NY 10019
(212) 713-2000 (Collect)

LETTER OF TRANSMITTAL

TO TENDER SHARES OF COMMON STOCK

LETTER OF TRANSMITTAL

To Tender Shares of Common Stock

of

DAY INTERNATIONAL CORPORATION

Pursuant to the Offer to Purchase Dated July 14, 1987

of

Hanac Acquisition Company

an indirect wholly owned subsidiary of

M. A. HANNA COMPANY

THE OFFER AND WITHDRAWAL RIGHTS EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON MONDAY, AUGUST 10, 1987, UNLESS EXTENDED.

The Depositary:

NATIONAL CITY BANK

Facsimile Copy Numbers:

(216) 861-1460

(216) 861-1810

Attn: Lisa B. Brady

Corporate Trust Department

Confirm by Telephone

(216) 575-2531

Telex Number: 212537

By Mail:
National City Bank
Post Office Box 92301
Cleveland, Ohio 44101
Attn: Corporate Trust Department

By Hand:
National City Bank
Corporate Trust Department
1900 East 9th Street
5th Floor
Cleveland, Ohio 44114

By Hand:
Mellon Securities Transfer Services
67 Broad Street
14th Floor
New York, New York 10004

For Information Call:
(216) 575-2531 (Collect)

Delivery of this Letter of Transmittal to an address other than those shown above or transmission of instructions via a facsimile or telex number other than those listed above does not constitute a valid delivery. The Instructions accompanying this Letter of Transmittal should be read carefully before this Letter of Transmittal is completed.

This Letter of Transmittal is to be used only (a) if certificates are to be forwarded herewith or (b) delivery of Common Shares (as such term is defined below) is to be made by book-entry transfer to the account maintained by the Depositary at The Depository Trust Company ("DTC"), the Midwest Securities Trust Company ("MSTC"), the Pacific Securities Depository Trust Company ("PSDTC") or the Philadelphia Depository Trust Company ("PDTC") (collectively, the "Book-Entry Transfer Facilities"), pursuant to the procedures set forth in Section 3 of the Offer to Purchase. Shareholders whose certificates for Common Shares are not immediately available or who cannot deliver either the certificates for, or a Book-Entry Confirmation (as defined in Section 3 of the Offer to Purchase) with respect to, their Common Shares and all other documents required hereby to the Depositary prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase) (or who are unable to comply with the procedure for book-entry transfer on a timely basis) must tender their Common Shares according to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase. See Instruction 2. Delivery of documents to a Book-Entry Transfer Facility does not constitute delivery to the Depositary.

☐ CHECK HERE IF TENDERED COMMON SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO AN ACCOUNT MAINTAINED BY THE DEPOSITARY WITH ONE OF THE BOOK-ENTRY TRANSFER FACILITIES AND COMPLETE THE FOLLOWING:

Name of Tendering Institution .....

Check Box of Applicable BOOK-ENTRY TRANSFER FACILITY:

☐ DTC ☐ MSTC ☐ PSDTC ☐ PDTC

Account Number .....

Transaction Code Number .....

☐ CHECK HERE IF CERTIFICATES FOR TENDERED COMMON SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Owner(s) .....

Date of Execution of Notice of Guaranteed Delivery

.....

Name of Institution which Guaranteed Delivery

.....

Check Box of Applicable BOOK-ENTRY TRANSFER FACILITY and give Account Number if Delivered by book-entry transfer:

☐ DTC ☐ MSTC ☐ PSDTC ☐ PDTC

Account Number .....

Transaction Code Number (if any) .....

DESCRIPTION OF COMMON SHARES TENDERED
(See Instructions 3 and 4)

Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank)	Certificate(s) Tendered (Attach additional signed schedule if necessary)		
	Certificate Number(s)*	Total Number of Common Shares Represented by Certificate(s)*	Number of Common Shares Tendered**
	Total Common Shares		

*Need not be completed by persons tendering Common Shares by book-entry transfer.

**Unless otherwise indicated, it will be assumed that all Common Shares evidenced by any certificates delivered to the Depositary are being tendered. See Instruction 4.

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Gentlemen:

The undersigned hereby tenders to Hanac Acquisition Company (the "Purchaser"), a Delaware corporation and an indirect wholly owned subsidiary of M. A. Hanna Company, a Delaware corporation ("Hanna"), the above-described shares of Common Stock, par value $1.00 per share (the "Common Shares"), of Day International Corporation, a Michigan corporation (the "Company"), in accordance with the terms and conditions of the Purchaser's Offer to Purchase dated July 14, 1987, and any supplements or amendments thereto and this Letter of Transmittal (which together constitute the "Offer"), receipt of which is hereby acknowledged.

Upon the terms and subject to the conditions of the Offer, and subject to and effective upon acceptance for payment of and payment for the Common Shares tendered herewith, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Purchaser all right, title and interest in and to all the Common Shares that are being tendered hereby and any and all other shares and other securities issued or issuable in respect of such Common Shares on or after July 1, 1987, and irrevocably constitutes and appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to such Common Shares and other securities or rights, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (i) deliver certificates for such Common Shares and other securities or rights or transfer ownership of such Common Shares and other securities or rights on the account books maintained by a Book-Entry Transfer Facility together, in any such case, with all accompanying evidences of transfer and authenticity to or upon the order of the Purchaser, (ii) present such Common Shares and other securities or rights for transfer on the Company's books, and (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Common Shares and other securities or rights, all in accordance with the terms of the Offer.

The name(s) and address(es) of the registered owner(s) should be printed, if not already printed above, exactly as they appear on the certificates representing Common Shares tendered hereby. The certificates and the number of Common Shares that the undersigned wishes to tender should be indicated in the appropriate boxes.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the tendered Common Shares and any and all other shares and other securities or rights issued or issuable in respect of such Common Shares on or after July 1, 1987, and the Purchaser will acquire good and marketable title thereto, free and clear of all liens, restrictions, claims and encumbrances. The undersigned will, upon request, execute any additional documents deemed by the Depositary or the Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the tendered Common Shares and any and all other shares and other securities or rights issued or issuable in respect thereof on or after July 1, 1987.

All authority conferred or agreed to be conferred in this Letter of Transmittal shall be binding upon the successors, assigns, heirs, executors, administrators and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocable.

The undersigned hereby irrevocably appoints M. D. Walker, J. E. Courtney, John S. Pyke, Jr., R. A. Profusek, and each of them, and any other designees of the Purchaser, the attorneys and proxies of the undersigned, each with full power of substitution, to vote at any annual, special or adjourned meeting of the Company's shareholders or otherwise in such manner as each such attorney and proxy or his substitute shall in his sole discretion deem proper, to execute any written consent concerning any matter as each such attorney and proxy or his substitute shall in his sole discretion deem proper and otherwise act with respect to, all of the Common Shares tendered hereby which have been accepted for payment by the Purchaser prior to the time any such action is taken and with respect to which the undersigned is entitled to vote and any and all other shares and other securities or rights issued or issuable in respect of such Common Shares on or after July 1, 1987. This appointment is effective when, and only to the extent that, the Purchaser accepts for payment such Common Shares as provided in the Offer to Purchase. This power of attorney and proxy is irrevocable and coupled with an interest and is granted in consideration of the acceptance for payment of such Common Shares as provided in the Offer to Purchase. Upon such acceptance for payment, all prior proxies given by the undersigned with respect to such Common Shares and other securities or rights will be revoked and no subsequent proxies may be given (and, if given, will not be deemed effective) by the undersigned.

The undersigned acknowledges and agrees that, by accepting payment for the Common Shares tendered pursuant to the Offer, the undersigned forever releases and discharges the Purchaser and Hanna and their respective heirs, successors and assigns from any and all claims whatsoever that the undersigned now has, or may have in the future, arising out of, or related to, the Common Shares.

The undersigned understands that the valid tender of Common Shares pursuant to any one of the procedures described in Section 3 of the Offer to Purchase and in the Instructions hereto will constitute a binding agreement between the undersigned and the Purchaser upon the terms and subject to the conditions of the Offer, including the tendering shareholder's representation and warranty that (i) such shareholder owns the Common Shares tendered within the meaning of Rule 10b-4 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 10b-4"), and (ii) the tender of such Common Shares complies with Rule 10b-4.

Unless otherwise indicated herein under "Special Payment Instructions," please issue the check for the purchase price and/or return any certificates for Common Shares not tendered or accepted for payment in the name(s) of the registered holder(s) appearing under "Description of Common Shares Tendered." Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the purchase price and/or return any certificates for Common Shares not tendered or accepted for payment (and accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing under "Description of Common Shares Tendered." In the event that either or both the Special Delivery Instructions and the Special Payment Instructions are completed, please issue the check for the purchase price and/or return any certificates for Common Shares not tendered or accepted for payment in the name of, and deliver said check and/or return such certificates to, the person or persons so indicated. Unless otherwise indicated herein under "Special Payment Instructions," in the case of a book-entry delivery of Common Shares, please credit the account maintained at the Book-Entry Transfer Facility indicated above with any Common Shares, not accepted for payment. The undersigned recognizes that the Purchaser has no obligation pursuant to the Special Payment Instructions to transfer any Common Shares from the name of the registered holder thereof if the Purchaser does not accept for payment any of the Common Shares so tendered.

SPECIAL PAYMENT INSTRUCTIONS
(See Instructions 1, 5, 6 and 7)

To be completed **ONLY** if certificates for Common Shares not tendered or not accepted for payment and/or the check for the purchase price of Common Shares accepted for payment are to be issued in the name of someone other than the undersigned, or if Common Shares delivered by book-entry transfer that are not accepted for payment are to be returned by credit to an account maintained at a Book-Entry Transfer Facility other than the account indicated above.

Issue: ☐ Check ☐ Certificate(s) to:

Name: .....
(Please Print)

Address: .....

.....
(Include Zip Code)

.....
(Employer Identification or Social Security Number)

☐ Credit unpurchased Common Shares delivered by book-entry transfer to the account set forth below:
Check appropriate box:
- ☐ The Depository Trust Company
- ☐ Midwest Securities Trust Company
- ☐ Pacific Securities Depository Trust Company
- ☐ Philadelphia Depository Trust Company

.....
(Account Number)

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 1, 5, 6 and 7)

To be completed **ONLY** if certificates for Common Shares not tendered or not accepted for payment and/or the check for the purchase price of Common Shares accepted for payment are to be sent to someone other than the undersigned or to the undersigned at an address other than that above.

Mail: ☐ Check ☐ Certificate(s) to:

Name: .....
(Please Print)

Address: .....

.....
(Include Zip Code)

.....
(Employer Identification or Social Security Number)

SIGN HERE
(Please complete substitute Form W-9 on the reverse side)

.....

.....
(Signature(s) of Owner(s))

Dated: ....., 1987

(Must be signed by registered holder(s) as name(s) appear(s) on the certificate(s) for the Common Shares or on a security position listing or by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by an officer on behalf of a corporation or by an executor, administrator, trustee, guardian, attorney, agent or other person acting in a fiduciary or representative capacity, please provide the following information. See Instruction 5).

Name(s): .....
(Please Print)

Capacity (full title): .....

Address: .....

.....
(Include Zip Code)

Area Code and
Telephone No. .....

Tax Identification or
Social Security No. .....

GUARANTEE OF SIGNATURE(S)
(See Instructions 1 and 5)

Authorized Signature .....

Name .....
(Please Print)

Name of Firm .....

Address .....

.....
(Include Zip Code)

Area Code and Tel. No. .....

Dated ....., 1987

INSTRUCTIONS

Forming Part of the Terms and Conditions of the Offer

1. **Guarantee of Signatures.** If this Letter of Transmittal is signed by the registered holder of the Common Shares (which term, for purposes of this document, shall include any participant in a Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Common Shares) tendered herewith and payment and delivery are to be made directly to such holder, or if such Common Shares are tendered for the account of a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc. ("NASD") or a commercial bank or trust company having an office or correspondent in the United States (each being hereinafter referred to as an "Eligible Institution"), no signature guarantee is required. In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution.

2. **Requirements of Tender.**

This Letter of Transmittal is to be used only if certificates are to be forwarded herewith or if delivery of Common Shares is to be made pursuant to the procedures for book-entry transfer set forth in Section 3 of the Offer to Purchase. For a shareholder validly to tender Common Shares, a properly completed and duly executed appropriate Letter of Transmittal (this BLUE Letter of Transmittal for Common Shares) or facsimile thereof, with any required signature guarantees and any other documents required by this Letter of Transmittal, must be received by the Depositary at one of its addresses set forth herein and either certificates or a Book-Entry Confirmation for tendered Common Shares must be received by the Depositary at one of such addresses, in each case prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase), or the tendering shareholder must comply with the guaranteed delivery procedure set forth below.

Shareholders whose certificates for Common Shares are not immediately available or who cannot deliver their certificates and all other required documents to the Depositary or complete the procedures for book-entry transfer prior to the Expiration Date may tender their Common Shares by properly completing and duly executing the Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. Pursuant to such procedure, (i) such tender must be made by or through an Eligible Institution, (ii) a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by the Purchaser must be received by the Depositary on or prior to the Expiration Date, and (iii) the certificates for all physically tendered Common Shares in proper form for transfer, or a Book-Entry Confirmation, together with this Letter of Transmittal properly completed and duly executed (or a facsimile thereof), and any other documents required by this Letter of Transmittal, must be received by the Depositary within five New York Stock Exchange, Inc. ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery.

The method of delivery of Common Shares and all other required documents is at the option and risk of each shareholder. Except as otherwise provided in this Instruction 2, the delivery will be deemed made only when actually received by the Depositary. If delivery is by mail, the use of registered mail with return receipt requested, properly insured, is recommended. For those shareholders who desire to tender by mail, an envelope addressed to the Depositary is enclosed.

No alternative, conditional or contingent tenders will be accepted and no fractional Common Shares will be purchased. All tendering shareholders, by execution of this Letter of Transmittal (or facsimile thereof), waive any right to receive any notice of the acceptance of their Common Shares for payment.

3. **Inadequate Space.** If the space provided is inadequate, the certificate numbers and number of Common Shares should be listed on a separate signed schedule attached hereto.

4. **Partial Tenders and Unpurchased Common Shares.** (Not applicable to persons who tender Common Shares by book-entry transfer.) If fewer than all of the Common Shares evidenced by any certificate are to be tendered, fill in the number of Common Shares that are to be tendered in the column entitled "Number of Common Shares Tendered." In such case, a new certificate for the remainder of the Common Shares evidenced by your old certificate(s) will be issued and sent to the registered holder, unless otherwise specified in the "Special Payment Instructions" or "Special Delivery Instructions" boxes in this Letter of Transmittal, as soon as practicable after the Expiration Date of the Offer. All Common Shares represented by certificates listed and delivered to the Depositary are deemed to have been tendered unless otherwise indicated.

5. **Signatures on Letter of Transmittal; Stock Powers and Endorsements.** (a) If this Letter of Transmittal is signed by the registered holder of the Common Shares tendered hereby, the signature must correspond with the name as written on the face of the certificates without any change whatsoever.

(b) If any of the Common Shares tendered hereby are held of record by two or more joint holders, all such holders must sign this Letter of Transmittal.

(c) If any tendered Common Shares are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of certificates.

(d) When this Letter of Transmittal is signed by the registered holder(s) of the Common Shares listed and transmitted hereby, no endorsements of certificates or separate stock powers are required unless payment is to be made, or the certificates for Common Shares not purchased are to be issued (or any check for Common Shares purchased, or any certificates for Common Shares not purchased, are to be delivered), to a person other than the registered holder(s). In the latter case, signatures on such certificates or stock powers must be guaranteed by an Eligible Institution. See also Instruction 1.

(e) If this Letter of Transmittal or any stock powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing and must submit proper evidence satisfactory to the Purchaser of their authority so to act.

(f) If this Letter of Transmittal is signed by a person other than the registered holder of the certificates listed, the certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or

names of the registered holder or holders appear on the certificates. Signatures on such certificates or stock powers must be guaranteed by an Eligible Institution. See also Instruction 1.

(g) No signature guarantee is required for certificates or stock powers by this Instruction 5 if (i) this Letter of Transmittal is signed by the registered holder of Common Shares tendered herewith and payment is to be made directly to such registered holder or (ii) such Common Shares are tendered for the account of an Eligible Institution. In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution.

6. Stock Transfer Taxes. Except as set forth in this Instruction 6, no stock transfer tax stamps or funds to cover such stamps need accompany this Letter of Transmittal. The Purchaser will pay all stock transfer taxes, if any, payable on the transfer to it of Common Shares purchased pursuant to the Offer. If, however, payment of the purchase price is to be made to, or (in the circumstances permitted by the Offer) if Common Shares not tendered or accepted for payment are to be registered in the name of, any person other than the registered holder, or if tendered certificates are registered in the name of any person other than the person(s) signing this Letter of Transmittal, the amount of any stock transfer taxes (whether imposed on the registered holder or such other person) payable on account of the transfer to such person will be deducted from the purchase price unless satisfactory evidence of the payment of such taxes, or exemption therefrom, is submitted.

7. Special Payment and Delivery Instructions. If a check is to be issued in the name of, and/or certificates for unpurchased Common Shares are to be returned to, a person other than the signer of this Letter of Transmittal or if a check is to be sent and/or such certificates are to be returned to someone other than the signer of this Letter of Transmittal or to an address other than that shown above, the boxes entitled "Special Payment Instructions" and/or "Special Delivery Instructions" on this Letter of Transmittal, as applicable, should be completed. Shareholders tendering Common Shares by book-entry transfer may request that Common Shares not purchased be credited to an account maintained at the Book-Entry Transfer Facility which such shareholder may designate under "Special Payment Instructions." If no such instructions are given, such Common Shares not purchased will be returned by crediting the account at the Book-Entry Transfer Facility designated above.

8. Irregularities. All questions as to the form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any tender of Common Shares will be determined by the Purchaser, in its sole discretion, which determination shall be final and binding on all parties. The Purchaser reserves the absolute right to reject any or all tenders determined by it not to be in proper form or the acceptance for payment of which may, in the opinion of the Purchaser's counsel, be unlawful. The Purchaser also reserves the absolute right to waive any of the conditions of the Offer (other than the Minimum Share Conditon, as defined in the Offer to Purchase, as provided in the Merger Agreement, as defined in the Offer to Purchase) or any defect or irregularity in tender of any Common Shares. None of the Purchaser, any of its affiliates, the Depositary, the Information Agent or any other person will be under any duty to give any notification of any defects or irregularities in tenders or shall incur any liability for failure to give any such notification.

9. Requests for Assistance and Additional Copies. Questions and requests for assistance or additional copies of the Offer to Purchase, the Notice of Guaranteed Delivery and this Letter of Transmittal may be directed to the Information Agent or the Dealer Manager at the addresses set forth at the end of this Letter of Transmittal. Additional copies of the aforementioned documents may also be obtained from your broker, dealer, commercial bank or trust company.

IMPORTANT TAX INFORMATION

10. Certain Federal Income Tax Consequences.

(a) *Backup Withholding.* In order to prevent the application of federal income tax backup withholding on payments that are made to a shareholder with respect to Common Shares purchased pursuant to the Offer, each shareholder must, unless an exemption applies, provide the Depositary with such shareholder's taxpayer identification number on the Substitute Form W-9 set forth on this Letter of Transmittal and certify under penalties of perjury that such number is correct. If the shareholder is an individual, the taxpayer identification number is his Social Security Number. If the Depositary is not provided with the correct taxpayer identification number, the shareholder may be subject to a $50 penalty imposed by the Internal Revenue Service.

If backup withholding applies, the Depositary is required to withhold 20% of any such payments made to the shareholder. Backup withholding is not an additional tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If backup withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

Certain shareholders (including, among others, corporations and certain foreign persons) are not subject to these backup withholding and reporting requirements. To qualify as an exempt recipient on the basis of foreign status, a foreign shareholder must submit to the Depositary a properly completed Internal Revenue Service Form W-8, signed under penalties of perjury, attesting to the shareholder's exempt foreign status. A Form W-8 can be obtained from the Depositary. A shareholder should consult his tax advisor as to his qualification for exemption from the backup withholding and reporting requirements and the procedure for obtaining an exemption.

See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional information and instructions in preparing the Substitute Form W-9.

(b) *Withholding of Tax on Certain Foreign Persons.* Under federal income tax law, the Depositary is required to withhold a tax on certain types of payments made to a nonresident alien individual, foreign partnership or foreign corporation. If applicable, the rate of tax is up to 30% of the gross payment, subject to reduction for persons who are residents of countries which have an applicable tax treaty with the United States. To qualify for the reduced rate of tax, the recipient of the payment must submit to the Depositary, in duplicate, a properly executed Internal Revenue Service Form 1001. The tax does not apply to a payment for Common Shares disposed of in a transaction that is treated as a sale for federal income tax purposes. Accordingly, a foreign shareholder who is entitled to treat the disposition of his Common Shares as a sale of such Common Shares may obtain a refund from the Internal Revenue Service upon filing a claim with appropriate supporting evidence if tax has been withheld on the proceeds of such disposition.

In determining the status of a shareholder, the Depositary will use the address of record with the Company. An individual whose address of record is outside the United States may prove that he or she is a citizen or resident of the United States by providing the Depositary with a statement in duplicate to that effect. In addition, an alien may claim residence in the United States by providing the Depositary with a properly completed Internal Revenue Service Form 1078 in duplicate in lieu of the above statement. A partnership or corporation with an address of record outside the United States may prove that it is a domestic partnership or domestic corporation by providing the Depositary with a statement to that effect. This statement must be furnished to the Depositary in duplicate and contain the address of the taxpayer's office or place of business in the United States. The statement must be signed by a member of the partnership or by an officer of the corporation, including the official title of the corporate officer.

No withholding is required if the payment is effectively connected with the conduct of a trade or business within the United States by the person entitled to such payment and is includable in such person's gross income under section 871(b)(2), section 842 or section 882(a)(2) of the Internal Revenue Code of 1986, as amended, for the taxable year. To qualify for this exemption a shareholder must submit to the Depositary, in duplicate, a properly executed Internal Revenue Service Form 4224.

Forms 1001, 1078 and 4224 can be obtained from the Depositary. A shareholder should consult his tax advisor as to his qualification for exemption from these withholding requirements and the procedure for obtaining an exemption.

PAYER'S NAME:

SUBSTITUTE FORM W-9 Department of the Treasury Internal Revenue Service **Payer's Request for Taxpayer Identification Number (TIN)**	Part 1—PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW	Social Security Number OR _____ Employer Identification Number
	Part 2—Check the box if you are NOT subject to backup withholding under the provisions of Section 3406(a)(1)(C) of the Internal Revenue Code because (1) you have not been notified that you are subject to backup withholding as a result of failure to report all interest or dividends or (2) the Internal Revenue Service has notified you that you are no longer subject to backup withholding. ☐	
	CERTIFICATION: UNDER THE PENALTIES OF PERJURY, I CERTIFY THAT THE INFORMATION PROVIDED ON THIS FORM IS TRUE, CORRECT, AND COMPLETE. SIGNATURE _____ DATE _____	**Part 3—** **Awaiting TIN** ☐

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The Information Agent for the Offer is:

D. F. King & Co., Inc.

Toll Free 1-800-223-3604, except in New York 1-800-522-5001

One North LaSalle Street
Chicago, Illinois 60602
(312) 236-5881
(Call Collect)

60 Broad Street
New York, New York 10004
(212) 269-5550
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9841 Airport Boulevard
Los Angeles, California 90045
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